

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.

For practical support, officers can refer to Financial Practice Notes, which are not part of the Constitution and if further advice is needed, speak to your Line Manager, Director or get in contact with the Financial Services Manager (Chief Finance & Section 151 Officer).

Directors and Members general responsibilities

4.9.2 Directors/Service Managers are responsible for ensuring all Officers in their service areas are aware of the existence, content of, and have appropriate training on the Council's Financial Rules and other internal regulatory documents, and that they comply with them.

4.9.3 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.

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 Members and employees. It is important that Members and Officers conform to the spirit of the rules.

4.9.5 Members are expected to 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.

Responsibilities of All Officers for general financial competence

4.9.6 Officers' must:

- be aware that in accordance with the Code of Conduct, employees must ensure that they use public funds, and the resources entrusted to them in a responsible manner and that any purchases made should ensure value for money to the local community.

- act to the highest standards of integrity, and exercise due care and attention when dealing with all aspects of the Council's finances.
- 4.9.7 Where Officers are unclear on any financial matter, they should seek advice from the Accountancy Team.
- 4.9.8 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 Financial Services Manager (Section 151 Officer).
- 4.9.9 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).
- 4.9.10 Immediately inform the Accountancy Services Manager (S151 Officer) and the Audit and Investigation Manager or follow the whistle blowing procedures to report suspicions of fraud or act of corruption.
- 4.9.11 Manage risks to the Council as part of day-to-day service activities.
- 4.9.12 Officers should not exceed the responsibilities and authority given to them by their Service Manager (and Director)

Service Managers

- 4.9.13 The following items (4.9.14 to 4.9.23) are the responsibility of Service Managers, reflecting the delegation of financial management to them by the Council.

The responsibilities are explained under the following headings:

- 4.9.14 Financial Controls & Authorisation
- 4.9.15 Ordering of Goods and Services. Including Procurement & Payments of Grants
- 4.9.16 Income Collection
- 4.9.17 Budget Management (preparation and monitoring of revenue and capital)
- 4.9.18 Fees and Charges
- 4.9.19 Grant Income
- 4.9.20 Staffing Financial Matters (in the context of financial management)
- 4.9.21 Taxation (including VAT)
- 4.9.22 Risk Management
- 4.9.23 Matters arising from Audits

Service Managers should ensure Officers within their Service:

- Are aware of Financial Rules: Ensure all Officers (temporary or permanent) in their service are aware of and understand

the Financial Rules needed 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 Overview and Scrutiny and Audit & Risk Committees meetings when asked to do so.

4.9.14 *Financial Controls & Authorisation*

4.9.14.1 The Chief Finance officer is responsible for advising on effective systems of internal control. Advice may also come from the internal and external audit reports. However, it is service managers and Directors responsibility to establish sound arrangements for planning, appraising, authorising and controlling their operations to achieve continuous improvement, economy, efficiency and effectiveness and for achieving their financial performance targets. This includes responsibility for the prevention and detection of fraud and other illegal acts.

4.9.14.2 Controls should have 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.

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

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

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

4.9.15.1 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, lease or hire property, plant & equipment is not entered into without consulting with Financial Services Manager.
- v) That rental/lease agreements to occupy or let to tenants are not entered into without consultation with the Council’s Property Manager.
- vi) 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).

- vii) Foreign currency contracts or transactions must be agreed in advance with the Financial Services Manager
- viii) Orders raised for interim, or agency staff have been made following consultation with HR and procurement. This consultation may not be needed if the provision is through an approved Council framework/contract.

4.9.15.2 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.

4.9.15.3 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.

4.9.16 *Income Collection*

4.9.16.1 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).

4.9.16.2 Arrange collection of income before or at the point of delivering the service wherever possible. This avoids losses due to non-payment.

4.9.16.3 Minimise the cost of processing Council income by limiting the use of cash and cheque payments by customers, wherever possible.

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

4.9.17.1 Prepare revenue and capital estimates using the guidelines approved by Cabinet and provided by the Financial Services Manager (see 6 - Preparation of Estimates).

4.9.17.2 Prepare business cases for significant projects and undertake post project reviews in line with Practice Note 9. Including consulting with financial services before circulation to members.

4.9.17.3 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).

4.9.17.4 Submit financial forecasts via the Council's Financial system. These submissions should be made in line with the timetable established by the Finance Services Manager. (See Practice Note 5 - Budgetary Control).

4.9.17.5 Identify at the earliest opportunity and provide details to Accountancy Services of the results of, any service planning that identifies additional budget provision will be required.

4.9.18 *Fees and Charges, including setting*

4.9.18.1 Fees and Charges Setting in relation to Executive functions:

-Annual Fees and charges setting, in consultation with Cabinet member.
-Develop and implement new charges during the financial year in consultation with Cabinet member.

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-Restrictions on fees and charges setting under delegation are;

- Cabinet must approve fees and charges increases for a service area when two increases have already been made during a financial year, and/or
- Cabinet must approve any changes to fees and charges when the increase in a service area would generate more than additional £1m in a full financial year.

Fees and charges setting can be a key or executive decision and should be reported appropriately

4.9.18.2 Any fees and charges that arise from non-executive functions e.g. licencing, and which cannot lawfully be set by Cabinet will be dealt with in accordance with the relevant committee or Full Council terms of reference.

4.9.19 *Grant Income*

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

4.9.19.2 Ensure all expenditure is in line with grant conditions.

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

4.9.20 *Staffing (Financial matters)*

4.9.20.1 Accountancy will maintain a budget for each individual post (the establishment).

Accountancy should be provided with updates to the establishment as and when changes occur. This will form part of the financial monitoring processes.

Services should complete appropriate HR documentation to support maintenance of the establishment list.

- 4.9.20.2 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).
- 4.9.20.3 Obtain agreement from HR and Procurement prior to engaging consultants or interims due to the potential significant tax implications for the Council. Also, ensure such recruitment follows procurement rules are followed (see contract procedure rules)

4.9.21 *Taxation (including VAT)*

- 4.9.21.1 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

4.9.22 *Risk Management*

- 4.9.22.1 Act in accordance with the Risk Management Strategy and supporting guidance.
- 4.9.22.2 Notify the 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).

4.9.23 *Matters arising from Audits*

- 4.9.23.1 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 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.
- 4.9.23.2 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

- 4.9.24 Make payments through the payroll system to all employees or former employees of the Council.
- 4.9.25 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.
- 4.9.26 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 Officer) and the Audit Services Manager are informed.

Responsibilities of the Financial Services Manager (Section 151 Officer)

- 4.9.27 Prepare formal and informal financial monitoring reports this will include, but is not an exhaustive list, preparation of
- Outturn reports on Revenue and Capital
 - In year income and expenditure monitoring reports (at least once a year to cabinet)
 - Reports on Treasury management
 - Annual Budget report and multi-year forecast
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- 4.9.28 Prepare guidelines for services to create the revenue and capital budgets for forthcoming year.
- 4.9.29 Provide and maintain accounting (including purchasing and debtor) systems.
- 4.9.30 Arrange all leases for vehicles, plant, and equipment.
- 4.9.31 Recommend and implement treasury management decisions in line with the Council's policy statement and the Capital, Investment and Treasury strategies. Whilst appointing and maintain banking and investment services.

4.9.32 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.

4.9.33 Manage the External Audit process, prepare the Statement of Accounts and associated documents, in line with legislative requirements.

4.9.34 Review and update the Financial Rules.

4.9.35 Other functions to be provided:

Insurance Cover for the Council's activities

- review annually, to mitigate identified insurable risks.
- Work with service to process insurance claims
- Ensure sufficient insurance cover to protect the Council's financial interests

Procurement

- Manage the approval of suppliers and oversight of the Social Value Procurement Policy.
- Provide professional procurement support to all services in line with Contract Procurement Rules.
- Update and maintain the Contract Procurement Rules and deliver training to Officers.
- Provide services with system to maintain records of contracts
- Work with services to maintain compliance with rules for, procurement and reporting of contracts with suppliers.

Responsibilities of the Audit Services Manager

4.9.36 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

- 4.9.37 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.
- 4.9.38 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.
- 4.9.39 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.
- 4.9.40 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.

Oversee the corporate risk management framework, including periodic review of the Risk Management Strategy

Prepare Risk Management Reports for Management Team and Audit & Risk Committee.

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 Officer) informed of the findings of the investigation and agree the course of any investigation.

Maintain the Council's Strategy on Anti-Fraud and Corruption.

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

Specific exceptions to the above rules:

- Director Public places after consultation with the appropriate Cabinet Members, can allocate all or any building maintenance budgets according to priority on an ongoing basis.
- Allocations of central held provisions or budgets e.g. for pay can be allocated (vired) by the Chief Finance officer after consultation with the Cabinet Member responsible for Finance.

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

Specific exceptions to the above rules

The Chief Finance officer can add to capital and revenue estimates where funding is passing through the Council accounts to third parties. This could include s106 funds or government grants. Where such passporting requires a contribution of existing budget resource then this too can be undertaken using officer delegation in consultation with appropriate Cabinet members.

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