

PART 4.9

FINANCIAL RULES

Introduction

1. These Financial Rules aim to provide guidance on what we expect from Members, the Director of Financial Services, Chief Officers and all other members of staff. The Financial Rules form part of our Constitution. This sets out the political and administrative arrangements for the running of the Council.
2. Members and officers are expected to conform to these rules. They do not provide a complete list but define the way we expect Members and officers to operate. They are in place to protect both the Council as well as the employees. It is important that Members and officers conform to the spirit of the rules, not only the specific rule.
3. To explain further the Financial Rules are supported by practice notes. These practice notes are not to be used as a complete guide. If you need further advice, talk to your Line Manager, Director or get in touch with the Accountancy Manager, Peter Kearn on extension 6421.

Definitions

4. 'Chief Officers' means the Chief Executive and all Directors of Services. A Chief Officer may delegate any of his powers but still retains the responsibility under these rules, as stated in the Officer Scheme of Delegation, which can be found in the Constitution.

Responsibilities of All Staff

5. Act to the highest standards of integrity and exercise due care and attention when dealing with all aspects of the Council's finances.
6. 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 conformed to they should inform their manager.
7. Ensure the safety and security of assets and see that they are used in a legal and properly authorised way and that the asset provides value for money. Speak to the Director of Financial Services and Legal and Democratic Services Manager before considering a leasing agreement (see practice note 1 - Assets).
8. Inform the Director of Financial Services and the Audit and Investigations Manager or follow the whistleblowing procedures if they think there may be any instances of fraud or corruption (see practice note 2 Fraud and Corruption).
9. Not to exceed the responsibilities given to them by their Chief Officer and conform to the Financial Rules appropriate to those duties.

Responsibilities of Chief Officers and those delegated by Chief Officers

10. Keep financial and other controls up to date and make sure that the Council's resources are properly applied in the way and on the activities intended. This includes responsibility for the prevention and detection of fraud and other illegal acts.

11. Prepare revenue and capital estimates using the guidelines given by the Director of Financial Services (see practice note 3 Preparation of estimates).
12. Make sure there is a budget for all planned expenditure before ordering goods and services (see Appendix A Virements and Supplementary estimates and practice note 4 - Purchase Ordering and Invoice Payment).
13. Keep to income and expenditure budgets set by the Council and make sure that all income and expenditure achieves best value for money. Promptly provide necessary information to the Director of Financial Services required to exercise Revenue and Capital monitoring (see practice note 5 Budgetary Control).
14. Provide the Human Resources Manager with an establishment list for all staff in their directorate, including contracted hours, and inform him/her of anything that affects the payment of their salary or other payments as soon as possible. This rule also applies to contractual, agency and temporary staff.
15. Act within the guidance in the Risk Management Strategy and notify the Director of Financial Services of all insurance risks and potential claims as soon as known, providing necessary documentation in timely manner (see practice note 6 - Insurance and Risk Management).
16. Act within the Standing Orders on Contracts and inform the Director of the relevant Service if an agreement to be made with an external body may act adversely on a service provided by that service before the agreement is signed (see practice note 7 - Contracts, External Partners and Third Party Working).
17. Make sure that all agreements with external bodies are always in British currency as recognised by the Bank of England and not in a foreign currency, subject to a prior agreement with the Director of Financial Services (see practice note 7 - Contracts, External Partners and Third Party Working).
18. Act within the 'Guidance Notes for the Financial Arrangements for Partnerships' (Appendix C) where the Council is the lead authority for the partnership or holds the role of the partnership's treasurer.
19. Take overall responsibility for issues relating to sponsorship received in their Directorate.
20. 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).
21. Speak to the Director of Financial Services about any new charges, or the yearly review of fees and charges which does not comply with the guidelines in the budget memo (see Appendix B Fees and Charges).
22. Make sure all financial activities are conducted in accordance with taxation (eg VAT, income tax, construction industry tax etc) requirements and all supporting records are kept.
23. Make sure all grants paid to the Third Sector (voluntary) organisations and other bodies are compliant with the standards of the Corporate Grant scheme.
24. Discuss any external funding bids with the Director of Financial Services and the Legal and Democratic Services Manager.
25. Collect income and debt promptly and in accordance with the Council's debt management procedures, regularly reconciling it to the main Task financial system and

to bankings (see practice note 8 - Income collection and Debt Management procedures).

26. Allow the Audit and Investigations Manager and External Audit access to all records, assets, personnel and premises, including those of partner organisations, and provide information and explanations when asked to do so.
27. Put in place agreed Internal and External Audit recommendations within an agreed timescale. In exceptional circumstances for medium and low priorities, notify Internal Audit in writing before the end of the agreed timescale of any revised implementation dates. Attend Audit Committee meetings when asked to do so.
28. Make sure all staff in their service are aware of, and know about the Financial Rules they must conform to, to carry out their job.
29. Make sure there is a clear and appropriate delegation of responsibilities and separation of duties in their service in order to prevent fraud, corruption and collusion.
30. Ensure that all key staff responsibilities are maintained by temporary staff or staff covering absence.
31. Publish on the Intranet and regularly review a list of delegated Authorised officers in their own service and update it as soon as change occurs.

Responsibilities of the Director of Corporate Services

32. Make payments through the payroll system to all employees or former employees of the Council.
33. Provide all staff with a copy of these Financial Rules as part of their recruitment process and acknowledge their receipt.
34. Ensure that the HR Manager acts in accordance with the Whistle-blowing policy where allegations of fraud or misconduct are made. The HR Manager must inform the Director of Financial Services where this is in relation to any financial matters.

Responsibilities of the Director of Financial Services

35. Prepare financial monitoring reports for Management Team, Audit Committee and Cabinet.
36. Prepare guidelines for and bring together the revenue and capital budgets including approval of fees and charges increases, virements, supplementary estimates and carry forwards subject to limits set by the Council.
37. Provide guidelines for the format, content and upkeep of all financial records and associated documents, and maintain our accounting system.
38. Establish and maintain accounting policies and procedures.
39. Manage the Council Tax and NNDR functions and Housing Benefit administration including Benefit fraud investigation.
40. Maintain an adequate and effective Internal Audit service.
41. Report external audits to the Audit Committee.
42. Review the internal controls arrangement to ensure that they are effective, by a separation of duties.

43. To inform other directors of fraud investigations in their service area.
44. Manage the ordering process, including the approval of suppliers and maintenance of the procurement policy.
45. Undertake the acquisition and disposal of land, buildings and assets including the upkeep of a database of property owned.
46. Arrange all leases for vehicles, plant and equipment.
47. Insure against identified risks and arrange the value of insurance cover and reserves and annually review the Risk Management strategy.
48. Appoint and maintain banking services for the Council.
49. 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.
50. Approve payments of grants to voluntary organisations.
51. Set and implement treasury management decisions in line with the Council' policy statement and the Treasury management policy statement.
52. Prepare the Annual report and Statement of Accounts, in line with legislative requirements.
53. Act in accordance with the responsibilities determined in the Section 151 Local Government Act 1972 and Section 114 Local Government Act 1988.
54. Review and update the Financial Rules.
55. Take disciplinary action if employee is in breach of the Financial Rules.

Responsibilities of the Audit and Investigations Manager

56. Give an opinion as to the effectiveness of the system of internal control as it works at the Council.
57. Report internal and external audits, the audit plan and all planned audits to the Audit Committee.
58. Report all audit reports to the Audit Committee where officers have not put in place agreed recommendations from the report.
59. Investigate any suspected cases of fraud and corruption and inform the Cabinet Member for Finance and keep the Director of Financial Services informed of the findings of the investigation, and agree the course of any investigation.
60. Ensure adherence with the Financial Rules is monitored and reported on.
61. Maintain the Council's Strategy on Anti-Fraud and Corruption.
62. Give advice to Chief Officers to help them in the overall management of their service.

Responsibilities of the Members

63. Act in accordance with the Members' Code of Conduct.

Appendix A

Virements and Supplementary Estimates

1. Virements

- A virement is a movement of budgets between different capital schemes or budget book subjective lines e.g. employees and other expenditure on a budget book page or between budget book pages.
- Virements are an essential feature of budgetary control, allowing chief officers and cost centre managers to be flexible with their budgets to react to changing spending patterns, or unforeseen cost increases or reductions in income.
- Transfer of functions between directorates does not need virement approval.
- The virement limits are set out below:
 - up to £50,000 Chief Officer and Director of Financial Services
 - up to £200,000 Chief Officer, Director of Financial Services, the Cabinet Member for the Service and the Cabinet Member for Finance
 - up to £1,000,000 Cabinet approval
 - all virements over £1,000,000 must be approved by the Council.
- Journals must not be used to remove overspends on individual cost centres as this distorts the true budget position, does not show expenditure correctly and is not authorised.

2. Supplementary Estimate

- A supplementary estimate is a permission to increase the approved budget to meet additional expenditure.
- Approval for a supplementary estimate must be obtained before the expenditure is incurred.
- Supplementary estimates limits for a budget cycle are set out below:
 - up to £200,000 Chief Officer, Director of Financial Services, the Cabinet Member for the Service and the Cabinet Member for Finance
 - up to £1,000,000 requires Cabinet approval
 - all supplementary estimates over £1,000,000 must be approved by the Council.

Appendix B

Fees and Charges

- The Council delegates the following responsibilities for setting Fees and Charges:

- The yearly increase in total income yield

A yearly increase in total income yield for fees and charges is set by Cabinet as part of the Medium Term Financial Strategy and recommended to Council for final approval

- Up to the approved increase in total income yield

The Director of Financial Services is delegated to approve any changes to level of fees and charges that generate the Council approved increase in total income yield

- In excess of the approved increase in total income yield up to £250,000

The Cabinet is authorised to approve changes to fees and charges where the increase in total income yield is up to £250,000 over the level approved by Council

- Increase in total income yield over £250,000

Increases in total income yield over £250,000 must be approved by Council.

Appendix C

Guidance Notes for the Financial Arrangements for Partnerships

1. Introduction

- 1.1. These notes set out the important terms of reference for officers to consider when entering into Partnership arrangements where we are the treasurer or the lead authority for the Partnership.
- 1.2. If we are not the treasurer or lead authority, officers acting for the Council should make sure the partnership arrangements are satisfactory and are in line with the terms of reference stated in this guidance note.
- 1.3. If we are the lead authority or the treasurer for the Partnership, an officer should be identified as the Manager to act as the lead for the partnership.
- 1.4. All partnerships arrangements must be subjected to a risk appraisal and assurances must be received for the management of any risks found in the appraisal. On-going management of risks should be reviewed annually.
- 1.5. If a Partnership is a separate legal body we need to include the completion of insurance and risk assessments in its governance statement. These should be agreed with the Audit and Investigations and the Insurance and Risk Managers.
- 1.6. A freedom of Information request in respect of Partnerships must be forwarded to the Legal and Democratic Manager for response.

2. Definition

- 2.1. An arrangement involving the Council and one or more other organisations (from any sector) who share the responsibility for agreeing and delivering a set of actions and outcomes to improve the economic and/or social environmental well-being of people living in, working in or visiting Chelmsford.
- 2.2. Partnerships are established when two or more organisations come together to form a body that is separate from its constituent organisations and requires a governance framework to oversee its activity.

3. Financial Arrangements

- 3.1. The Partnership must appoint a Treasurer to deal with its financial affairs.
- 3.2. The Treasurer must report at agreed intervals to the partners on the finances of the Partnership in an agreed way, and support this statement with appropriate financial records.
- 3.3. Reports showing expenditure of the Partnership should show the suppliers involved.

- 3.4. Proper accounting practices must be followed, in particular, in relation to ordering goods and services, authorising invoices and the collection of debts.
- 3.5. The Partnership should have and issue a clear and costed Business Plan that sets out its objectives for the coming year.
- 3.6. The lead authority must keep a separate cost centre within its general fund for recording all financial transactions for the Partnership's activities.
- 3.7. The lead authority shall ensure that money paid or transferred into the Partnership's Accounts is only used for the expenses of the Partnership and shall only transfer or pay any money out of any of the Partnership Accounts in line with Partnership's agreement unless there is written permission from the Partner Authorities.
- 3.8. Partnership Agreements should advise that partners' contributions will be repaid to them should the partnership cease.

4. Setting budgets for the Partnership

- 4.1. The partnership must set their budget for the next Financial Year every year and set the amount that all members must pay or transfer into the Partnership's Account during that year. Any later changes to the agreed budget occurring during the year must be agreed by all of the partners.
- 4.2. In recommending the final contribution to the partnership, each Partner's decision making body shall take into account recommendations made by the Partnership.

5. Audit Arrangements

- 5.1. Internal Audit requirements must be agreed and co-ordinated between the Partner Authorities.
- 5.2. Internal Audit should be carried out by a partner who is not the partnership's treasurer or lead authority except where an external auditor has been appointed by the partnership.
- 5.3. The Partner Authorities must agree to contribute to costs incurred by the Partnership for any external audit required by legislation in relation to the accounting records and accounts of the Partnership.

6. Monitoring and Assessment

- 6.1. The Partnership is responsible for monitoring and assessing:
 - 6.1.1. its performance measured by a range of indicators that the Partner Authorities have agreed;
 - 6.1.2. its performance in achieving the key outcomes identified in its Business Plan.
- 6.2. The Partnership will receive presentations and progress reports on key issues and notable projects and take action to address the shortcomings identified.
- 6.3. The Governance arrangement for partnerships must be subject to regular review and update.
- 6.4. The Partnership must produce an Annual Report of its activities, finances and performance to the Partner Authorities and other appropriate parties.