

Financial Regulations

Effective from: 7th February 2012



Essex County Council

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1. Introduction

1.1. Context

These Financial Regulations set out the financial policies and the framework for managing the Council's financial affairs.

The Regulations are organised around seven themes, as follows:

- (i) [Financial planning](#) (see Section 3)
- (ii) [Financial management](#) (see Section 4)
- (iii) [Accounting records and financial systems](#) (see Section 5)
- (iv) [Risk management and control](#) (see Section 6)
- (v) [Control of resources](#) (see Section 7)
- (vi) [Income and expenditure](#) (see Section 8)
- (vii) [External arrangements](#) (see Section 9)

They seek to ensure that the Council conducts its affairs in a way that complies with specific statutory provisions and best professional practice.

1.2. Financial responsibilities

An overview of the financial responsibilities of the Council, the Cabinet, various Committees, the Chief Executive, the Monitoring Officer, the Executive Director for Finance and Executive Directors is provided in **Section 2** of the Financial Regulations. Specific responsibilities are explained, in context, throughout the Financial Regulations.

The Executive Director for Finance who is also the Chief Financial Officer is responsible for maintaining a continuous review of the Financial Regulations and for updating them, as necessary, for Council to approve. The Executive Director for Finance is also responsible for reporting, where appropriate, breaches of the Financial Regulations to the Council and/or to the Cabinet.

Any consultation required under these Regulations must be managed to ensure that sufficient time is available for proper consideration of the issues raised.

1.3. Review of Financial Regulations

The Financial Regulations will be reviewed annually to ensure that they reflect the current management structure and policy framework, legislative changes and latest best practice guidance.

1.4. Advice and guidance to underpin Financial Regulations

The Executive Director for Finance will, from time to time, issue advice, guidance and accounting instruction notes to underpin the Financial Regulations, ensure compliance with specific statutory provisions and reinforce best professional practice. Members, officers and others acting on behalf of the Council are required to comply with such advice and guidance.

1.5. Compliance

All financial and accounting procedures must be carried out in accordance with the Financial Regulations and with any accounting instruction notes and other corporate guidance issued by, or on behalf of, the Executive Director for Finance.

Executive Directors must ensure that their staff are aware of the existence, and content, of the Council's Financial Regulations, accounting instruction notes and other corporate guidance, and for ensuring compliance with them.

Non compliance with these Financial Regulations and with any accounting instruction notes and other corporate guidance issued by the Executive Director for Finance constitutes a disciplinary matter that will be pursued, as appropriate, in accordance with the [Human Resources Policy Framework](#).

1.6. Scope of the Regulations

The Financial Regulations, including advice, guidance and accounting instruction notes issued to underpin the Financial Regulations, apply to all services of the Council.

Whilst Schools have their own specific Financial Regulations, they will not override or contradict these overarching Regulations. Some specific references are made to schools' operations within these Regulations where particular responsibilities are placed upon Council officers that are not employed within schools, and upon Members of the Council.

2. Financial roles and responsibilities

2.1. Introduction

The roles and responsibilities of Members and Officers are set out within the Council's [Constitution](#). The purpose of the Financial Regulations is to provide an overview of the respective financial roles and responsibilities of Members and Officers within the Council. Specific financial responsibilities are set out in more detail throughout the subsequent sections of the Regulations.

2.2. Council

The Council is responsible for:

- (i) Adopting and changing the [Constitution](#) (including the Financial Regulations), which sets out how the Council works, how decisions are made and the procedures to be followed to ensure efficiency, transparency and accountability to local people.
- (ii) Approving and adopting the policy framework (which incorporates the Council's [Corporate Plan](#), Community Strategy and various other plans and strategies).
- (iii) Approving the annual budget, which includes:
 - The allocation of financial resources to different services and to capital projects, and the setting of trading activities' financial targets.
 - The level of contingency funds to be held.
 - The Council Tax base and setting the Council Tax.
 - Decisions' relating to the control of the Council's borrowing requirement, including setting of Prudential Indicators which define the parameters for borrowing activity and the approval of the Council's Minimum Revenue Provision (MRP) for the repayment of debt.
 - The annual Treasury Management Strategy.
- (iv) Making arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of these affairs.
- (v) Making arrangements for approving the statutory annual statement of accounts by dates specified by relevant regulations.

2.3. Cabinet

The Cabinet, under the direction and authority of the Leader, is responsible for:

- (i) The preparation of the Council's policies and budget (the Deputy Leader and Cabinet Member for Finance and the Transformation Programme and the Leader lead this work on behalf of the Cabinet).
- (ii) Taking decisions on resources and priorities to deliver and implement the Council's policies and budget.
- (iii) Determining overall Council priorities within the Budget and the Policy Framework set by full Council, to keep under review those priorities and to approve specific plans and strategies;

2.4. Executive Scrutiny Committee

The Executive Scrutiny Committee is responsible for scrutinising the financial arrangements of the Council. This includes:

- (i) To exercise the function of call-in of a decision where appropriate such that:
 - a) it is recommended that the decision is reconsidered by the person who made it or
 - b) arrangements are made for Full Council to review or scrutinise the decision.
- (ii) To consider called-in decisions
- (iii) To scrutinise the financial arrangements and performance of the Council including considering the budget and accounting processes.

2.5. Audit Committee

The Audit Committee, which is made up of seven Members of the Council other than the Cabinet, is responsible for:

- (i) Approving the Council's Annual Statement of Accounts, having due regard to any matters raised by the external auditor.
- (ii) Receiving and considering the Council's Annual Governance Statement ensuring that it reflects the Council's governance arrangements.
- (iii) Consideration of the Annual Audit and Inspection Letter from the External Auditors and to provide advice and comments on the Letter to the Cabinet and Council.
- (iv) Ensuring that there are effective relationships between external and internal audit, inspection agencies and other relevant bodies, and that the value of the audit is actively promoted.
- (v) Receiving reports from the Council's Internal Auditor on the outcome of audit reviews and investigations and the implementation of recommendations, including the annual report of the Head of Internal Audit.
- (vi) Receiving any reports from the External Auditor about the effectiveness of the Council's financial and operational arrangements and monitoring Management's response to the issues raised by External Audit.
- (vii) All matters related to the appointment of the Council's external auditor.
- (viii) Monitoring the effectiveness of the Council's Financial Regulations, [Procurement Policies and Procedures](#) and strategies for [anti fraud and corruption](#) , [whistle blowing](#) and [anti-money laundering policy](#).
- (ix) Considering the Council's arrangements for corporate governance and [risk management policy and strategy](#), and, subject to the role and responsibilities of the Standards Committee, to advise on any action necessary to ensure compliance with best practice.

2.6. Statutory Officers

2.6.1. Head of Paid Service

The Chief Executive is the Head of Paid Service and is responsible for the corporate and strategic management of the Council as a whole.

The Chief Executive must report to and provide information for the Cabinet, the Council and other Committees, and is responsible for establishing a framework for management direction, style and standards and for monitoring the performance of the organisation.

The Chief Executive is also responsible, together with the Monitoring Officer, for the system of record keeping in relation to all the Council's decisions (see paragraph 2.6.2).

2.6.2. Monitoring Officer

The functions and responsibilities of the Monitoring Officer include:

- (i) Maintaining an up-to-date version of the [Constitution](#) and making this widely available.
- (ii) Promoting and maintaining high standards of conduct through the provision of support to the Standards Committee and maintenance of [Members' and Officers' codes of conduct](#).
- (iii) Reporting, after consultation with the [Head of Paid Service](#) and the [Executive Director for Finance](#), any actual or potential breaches of the law or mal-administration to the Council and/or to the Cabinet.
- (iv) Ensuring that Cabinet decisions, together with the reasons for those decisions, the relevant officer reports and background papers are made publicly available as soon as possible.
- (v) Advising whether the decisions of Cabinet are in accordance with the budget and policy framework.
- (vi) Provision of advice on the scope of powers and authority to take decisions, maladministration, financial impropriety, probity and budget and policy framework issues to all councillors.

2.6.3. Executive Director for Finance

Section 151 of the Local Government Act 1972 specifies that every authority shall make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs. The Council's Executive Director for Finance is the designated officer for this purpose.

The Executive Director for Finance has statutory duties in relation to the financial administration and stewardship of the Council that cannot be overridden. These statutory duties arise from:

- (i) Section 151 of the Local Government Act 1972 which makes the Executive Director for Finance responsible for the proper administration of the Council's financial affairs.
- (ii) Section 114 of the Local Government Finance Act 1988 which places a duty on the Executive Director for Finance to report to all Members of the Council if it is considered that the Council, Cabinet or an employee has made or is about to make a decision involving expenditure or loss which is unlawful.
- (iii) Local Government and Housing Act 1989 which requires the Executive Director for Finance to consult with the [Monitoring Officer](#) and the [Head of Paid Service](#) (Chief Executive) before making a Section 114 report to Council.
- (iv) Local Government Act which requires the Executive Director for Finance to make a report to the Council, when it is considering its budget and council tax, that addresses the robustness of the estimates and adequacy of reserves.
- (v) Accounts and Audit Regulations, which require the Executive Director for Finance to ensure that the accounting control systems are observed, that the accounting records are maintained in accordance with proper practices and that they are kept up to date.

In order to fulfil these statutory duties and legislative requirements the Executive Director for Finance will:

- (vi) Set appropriate financial management standards for the Council which comply with the Council's policies and proper accounting practices, and monitor compliance with them.
- (vii) Determine the accounting records to be kept by the Council.
- (viii) Ensure there is an appropriate framework of budgetary management and control.

- (ix) Monitor performance against the Council's budget and advise upon the corporate financial position.
- (x) Ensure proper professional practices are adhered to and to act as Head of Profession in relation to the standards, performances and development of finance staff throughout the Council; all finance staff will have a direct reporting line to the Executive Director for Finance.
- (xi) Prepare and publish the audited accounts of the Council for each financial year, in accordance with the statutory timetable specified within the Accounts and Audit Regulations.
- (xii) Make proper arrangements for the audit of the Council's accounts.
- (xiii) Ensure that claims for funds, including grants, are made by the due date and in compliance with the grant terms and conditions.
- (xiv) Make proper arrangements for the overall management of the Council's [internal audit](#) function.
- (xv) Manage the [treasury management](#) activities in accordance with the Council's Treasury Management Policy Statement, Treasury Management Strategy and Prudential Indicators.
- (xvi) Manage the Pension Fund within the scope of the Local Government Pension's Scheme Regulations.

2.7. Executive Directors

Executive Directors have delegated to them responsibility for the management of the finances of their services. This responsibility must be exercised within the corporate financial management framework determined by the [Executive Director for Finance](#), and includes:

- (i) Putting in place appropriate budget management delegation arrangements to ensure the effective use of resources, the safeguarding of assets and the operation of a system of appropriate internal controls.
- (ii) Promoting appropriate financial management standards within their Services, and monitoring adherence to the standards and practices, liaising as necessary with the [Executive Director for Finance](#), and ensuring that relevant training is provided to those staff with financial management responsibilities.
- (iii) Promoting sound financial practices in relation to the standards, performance and development of staff in their services.
- (iv) Advising Cabinet Members and the [Executive Director for Finance](#) of the financial implications of all proposals.

- (v) Seeking approval, in conjunction with the [Executive Director for Finance](#), on any matter liable to affect the Council's finances materially, before any commitments are incurred.
- (vi) Signing contracts on behalf of the Council (in accordance with the Council's [Procurement Policies and Procedures](#) and after consultation with the relevant Service Cabinet Member).
- (vii) Consulting with, and obtaining the approval of, the [Executive Director for Finance](#) before making any changes to accounting records or procedures.
- (viii) Complying with the following principles when allocating accounting duties:
 - Separating the duties of providing information about sums due to or from the Council and calculating, checking (including reconciling the accounts) and recording these sums from the duty of collecting or disbursing them.
 - Employees with the duty of examining or checking the accounts of cash transactions must not themselves be engaged in these transactions.
- (ix) Ensuring that claims for funds (including grants and 'match funding') are made, in accordance with accounting instructions issued by the Executive Director for Finance and the conditions defined by the grant awarding body, by the due date and that appropriate records are maintained.
- (x) Contributing to the development of performance plans in line with statutory requirements.
- (xi) Contributing to the development of corporate and service targets and objectives and performance information.

2.8. Internal audit

Internal audit will review, appraise and report upon:

- (i) The extent of compliance with, and effectiveness of, relevant policies, plans and procedures.
- (ii) The adequacy and application of financial and other related management controls.
- (iii) The suitability of financial and other related management data.
- (iv) The extent to which the Council's assets and interests are accounted for and safeguarded from loss of any kind from:
 - Fraud and other offences.
 - Waste, extravagance and inefficient administration.
 - Inefficient value for money or other causes.
- (v) Internal audit shall also independently verify the Council's assurance statements.

Further details on the internal audit function are set out in paragraph **6.6.2**.

3. Financial Planning

3.1. Policy framework

The Council is responsible for agreeing the Council's policy framework and budget. In terms of financial planning, the key elements of the Corporate Business Plan are the:

- (i) Revenue Budget
- (ii) Capital programme
- (iii) Trading activities' financial plans
- (iv) Medium term resources strategy

3.2. Corporate Business Plan

The Corporate Business Plan aligns financial resources to the Council's policy priorities. It sets out the corporate approach to delivering services for the people of Essex and helps ensure greater strategic control on prioritisation, resource allocation and performance monitoring, improvement and efficiency

3.3. Revenue budget

3.3.1. Revenue income and expenditure

Revenue income and expenditure represents the current or day to day running costs, and associated receipts, of the Council; including salaries, heating and lighting, travelling and office expenses, income raised by charging service users and government grants.

3.3.2. Revenue budget

Budgets (spending plans) ensure that the Council can plan, authorise, monitor and control the way money is allocated and spent.

The revenue budget must be constructed so as to ensure that resources are allocated in a way that reflects the service plans and priorities of the Council. The [Executive Director for Finance](#) is responsible for developing and maintaining a resource allocation process that ensures this is achieved.

3.3.3. Budget preparation

The Deputy Leader and Cabinet Member for Finance and the Transformation Programme and the Leader, in conjunction with the [Executive Director for Finance](#), will manage the preparation of the budget on an annual basis for consideration by the Council. The annual budget will include allocations to different services and projects, proposed taxation levels and contingencies.

The [Executive Director for Finance, in consultation with the Cabinet Member for Finance and the Transformation Programme](#), will issue detailed guidance and a timetable for production of the budget. Executive Directors will prepare, in consultation with the Executive Director for Finance and the Cabinet Member for Finance and the Transformation Programme, and in accordance with the laid-down guidance and timetable, detailed draft revenue budgets for consideration by the appropriate Cabinet Member. When drawing up draft budget requirements, the Executive Directors will have regard to:

- (i) Policy requirements, as defined by the Council in the Corporate Plan.
- (ii) Spending patterns and pressures revealed through the budget monitoring process.
- (iii) Opportunities for achieving savings and/or for generating income.
- (iv) Legal requirements.
- (v) Risk assessment of material income and expenditure.
- (vi) Projections of pay and price inflation.
- (vii) Revenue implications of capital investment proposals.
- (viii) Initiatives and developments planned or under way.
- (ix) Commitments (including the full year effect of decisions taken in the preceding year).
- (x) The need to coordinate services delivered by the Council with relevant services delivered by partners.
- (xi) The need to secure value for money.

The [Executive Director for Finance](#) has a statutory duty to report upon the budget proposals presented to Council (see paragraph 2.6.3). Executive Directors must provide the [Executive Director for Finance](#) with any information required to enable the robustness of the budget proposals to be assessed.

The Executive Director for Finance will determine the available funds through quantification of General Government grants, specific Government grants and

Council Tax income as well as borrowing where appropriate. The proposed level of taxation for the coming financial year will be discussed with the Cabinet Member for Finance and the Transformation Programme and the Leader, and the budget will be constructed within the resources available from these sources.

Detailed budgets, as proposed by Executive Directors, will be subject to challenge and review through a process determined by the Executive Director for Finance. Any proposed changes to service levels as a result of budget changes will be subject to Equalities Impact Assessment as part of the consideration process before approval and implementation. The Council will seek to engage partners in the budget preparation process where possible and where appropriate.

The budget and the implied level of taxation will be presented for approval at full Council following recommendation by the Cabinet. Council Tax must be set before 31st March in the year preceding the year of taxation.

3.3.4. Format of the budget

The general format of the budget is proposed by Cabinet Members, on the advice of the [Executive Director for Finance](#), and is approved by Council.

The budget format will comply with all legal requirements and reflect the accountabilities of Cabinet Members for service delivery.

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 virements operate and sets the level at which funds may be reallocated within budgets (see paragraph 4.3.3 for further details).

3.3.5. Maintenance of reserves and balances

Reserves are maintained as a matter of prudence. A general reserve (i.e. the General Balance) is maintained to enable the Council to provide for unexpected events and thereby protect it from overspending, should such events occur. In addition, earmarked reserves are held for specific policy purposes.

Earmarked reserves will be maintained in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom and agreed accounting policies. For each reserve established, the purpose, usage (including the timeframe for usage) and basis of transactions will be clearly identified. Authorisation to finance expenditure from reserves will require the approval of the Deputy Leader and Cabinet Member for Finance and the Transformation Programme, upon the advice of the Executive Director for Finance, unless alternative arrangements were agreed when the reserve was established. In the case of balances held by schools, the appropriate Board of Governors will give authorisation.

The [Executive Director for Finance](#) will advise upon prudent levels of reserves and balances for the Council. The level of reserves should make a general recognition of potential expenditure in respect of emergencies / disasters including those that may be subject to eventual funding under the Bellwin Scheme of Government support.

Under section 114 of the Local Government Finance Act 1988 the [Executive Director for Finance](#) must report to Council if there is or is likely to be unlawful expenditure or an unbalanced budget. This would include situations where reserves have become seriously depleted and it is forecast that the Council will not have the resources to meet its expenditure in a particular financial year.

3.4. Capital financial planning

3.4.1. Capital expenditure

Capital expenditure is classified as follows:

- Expenditure on the acquisition, construction or enhancement of property, plant and equipment assets that are grounded in some physical substance and which will be held for use in the production or delivery of services, for rental to others or for administrative purposes and are expected to be used during more than one financial year.
- Expenditure on the acquisition, construction or enhancement of assets that do not have physical substance but are controlled by the Council and the future economic benefits or service potential flow to the Council. They must be intended for use on a continuing basis and last for more than one financial year.
- Expenditure classified by a Government Direction as capital.

- Expenditure that would ordinarily be capitalised except for the fact that the Council has no future direct control or benefit from the resulting assets.

Expenditure meeting the above criteria can be capitalised, provided it is directly attributable to bringing the asset into working condition for its intended use.

The Council applies a de-minimis limit below which items that meet the definition of capital expenditure will be charged to revenue rather than capital, on the grounds of materiality. The limits are specified within the Council's annual statement of Accounting Policies and are currently as follows:

| De-minimis limits | £ |
|--|---------------|
| General limit (to be applied where no specific limit is applicable) | 10,000 |
| Specific limits: | |
| ▪ Trading activities | 6,000 |
| ▪ Schools' capital projects funded or supported by Formula Capital Grants | 2,000 |
| ▪ Highways infrastructure | Nil |
| ▪ Land | Nil |

Items that meet the definition of capital expenditure but individually fall below the capitalisation thresholds cannot be grouped together in order to bring the total of expenditure above these de-minimis limits.

Where revenue budget provision exists for a development, but the costs meet the criteria set out above, then this provision, must be transferred to the capital accounts to adhere to the guiding principle that budget provision should follow costs.

Similarly, where specific financing (eg. government grant) is provided to facilitate a project, this will not determine the accounting treatment of the expenditure. That is, grant eligible expenditure will only be treated as capital expenditure where it meets the rules for capitalisation.

3.4.2. Capital programmes

The Cabinet, in conjunction with the Executive Director for Finance , will manage the preparation of a capital programme on an annual basis in accordance with the Council's project governance arrangements.

The capital programme will comprise:

- (i) Projects 'supported' by the government or other bodies.
- (ii) Standard capitalised items (covering buildings and highways maintenance).
- (iii) Other specific named projects.

Proposals for new buildings, extensions, improvements and alterations to buildings or the sale of buildings and land will be assessed by the Executive Director for Environment Sustainability and Highways to determine whether they fit with the Council's property strategy.

Any proposal for investment in information technology will be assessed by the Chief Information Officer to ensure that it accords with the Council's IS strategy.

Executive Directors will only proceed with capital projects when there is adequate provision in the capital programme to finance those projects.

3.4.3. Financing of capital expenditure

The Deputy Leader and Cabinet Member for Finance and the Transformation Programme, in conjunction with the Executive Director for Finance, will determine the financing of the capital programme, taking into consideration the availability of reserves and balances, funding from other bodies and the affordability of borrowing. They will determine the criteria for applying specific sources of financing.

3.4.4. Leasing and rental arrangements

Leasing arrangements for vehicles, plant and equipment cannot be entered into without the prior approval of the Executive Director for Finance. In the case of property leases, the prior approval of the Executive Director for Environment Sustainability and Highways and the Executive Director for Finance is required. This is to ensure that such arrangements represent best value for money and are appropriately accounted for; such arrangements may also constitute credit arrangements that need to be taken into account when the Council determines its borrowing limits.

Leasing arrangements for vehicles, plant and equipment will be signed by the Executive Director for Finance. The Executive Director for Environment Sustainability and Highways will approve property leases, and occupational property agreements not required to be completed under seal will be signed by the Executive Director for Environment Sustainability and Highways; or in accordance with delegation arrangements approved by the Executive Director for Finance and/or Executive Director for Environment Sustainability and Highways.

3.5. Trading activities

3.5.1. Definition and framework

Trading activities are required to operate in a commercial manner and balance their budget by generating income from other parts of the Council and other organisations. Cabinet will approve the establishment of all trading activities, in consultation with the Executive Director for Finance.

Trading activities will observe all statutory requirements, including the maintenance of a separate Income and Expenditure account to which all relevant income is credited, and all revenue expenditure (including asset charges and overhead costs) is charged, and to produce an annual report in support of the final accounts.

Trading activities must adhere to Financial Regulations, although are controlled to an overall financial target, rather than against individual expenditure and income headings.

Trading activities must operate within the Council's overall arrangements and rules for personnel and resource management. Cabinet may approve special arrangements in exceptional circumstances, where it can be demonstrated that adherence to these rules and arrangements would lead to the unit becoming uncompetitive and losing work.

3.5.2. Financial targets

Each trading activity must prepare an annual business plan. This will include a financial plan that is subject to approval by the Council and which defines the expected levels of income and expenditure for the year.

Trading activities must, as a minimum, aim to break-even (i.e. only incur expenditure that can be financed from the income generated during the year). It is only permissible to plan for a deficit in exceptional circumstances, and then only with the prior agreement of the Executive Director for Finance. However, the deficit must be met from an approved contribution from the General Fund and/or a contribution from the trading activity's own accumulated reserves.

Where a trading activity has, or is forecasting, a deficit, it must produce a business plan that demonstrates how it will return to a minimum of a break-even trading position and the period over which this will be achieved.

3.5.3. Trading reserves

Trading activities are permitted to retain the surpluses they generate, provided they can demonstrate that these are necessary for the future business needs of their operations. The Executive Director for Finance will advise Members, after consultation with the relevant Executive Directors, if the level of cash balances held by a trading activity is greater than seems necessary for the business needs of the operation. The Deputy Leader and Cabinet Member for Finance and the Transformation Programme will then determine whether the excess balances are transferred to the General Fund Balance. The trading balances held in reserve will be reviewed during the annual budget setting process.

The approval of the Deputy Leader and Cabinet Member for Finance and the Transformation Programme is required where it is proposed, as part of the annual business plan, or at any point during the financial year, to transfer part of a trading activity's reserves to finance expenditure by a Service, or to make a contribution from a Service to a trading activity.

3.6. Medium term resources strategy (MTRS)

The MTRS brings together the key assumptions around financial resources (including council tax) and spending pressures over the medium to longer term. This enables the Council to plan for financial risks and thus inform the setting of service financial targets for the annual revenue budget and capital payments guidelines. The setting of financial targets within the available resource envelope will be completed with reference to the priorities set within the Corporate Plan.

The [Executive Director for Finance](#) will ensure that reports to Council are made, as appropriate, upon the medium term budget prospects and the resource constraints set by the Government.

4. Financial Management

4.1. Introduction

Financial management covers all financial accountabilities in relation to the running of the Council, including the policy framework, revenue budget, trading activities' financial plans, capital programme and partnership working.

4.2. Financial management standards

All staff and Members have a duty to abide by the highest standards of probity in dealing with public money. This is facilitated by ensuring everyone is clear about the standards to which they are working and by the controls that are in place to ensure that these standards are met.

4.3. Revenue budget monitoring and control

4.3.1. Budget management

The Council operates within an annual cash limit, approved when the annual budget is set. To ensure that the Council does not over spend in total, each service is required to manage its own expenditure and income recovery within the cash limited budget allocated to it. Budget management also ensures that once the Council has approved the budget, the resources are used for their intended purposes and are properly accounted for.

4.3.2. Framework for budgetary control

Once the budget is approved by the Council, Executive Directors are authorised to incur expenditure in accordance with the estimates that make up the budget. Executive Directors must however maintain effective budgetary control within their service(s) to ensure that spending is contained within the annual cash limit.

Executive Directors will not commit expenditure that would result in an approved budget being exceeded. Prior approval must be sought to increase the budget either by virement (see paragraph 4.3.3) or by a supplementary estimate (see paragraph 4.3.4) before additional commitments are made.

Executive Directors may exceptionally incur additional expenditure in an emergency (see paragraph 8.6 for the approval required to make an emergency payment). In such situations, retrospective approval must be sought, as soon after the event as possible, to offset the additional expenditure by virement or supplementary estimate.

Executive Directors will:

- (i) Ensure that all income and expenditure is properly recorded and accounted for

Executive Directors will ensure that all officers responsible for committing expenditure comply with all relevant guidance and follow approved certification processes.

- (ii) Ensure that an appropriate budget holder structure is put in place to ensure that responsibility is assigned for each item of income and expenditure under their control

Budget responsibility will be aligned as closely as possible to the decision making that commits and influences expenditure. Budget holders at each level will acknowledge responsibility for the effective management of the budgets allocated to them to either oversee or directly manage.

- (iii) Ensure that individual policy budgets are not over spent

Budgets must be monitored and appropriate corrective action taken where significant variations from the approved budget are forecast (see paragraphs 4.3.3 and 4.3.4).

- (iv) Exercise discretion in managing the Service's budgets

Discretion will be exercised by, for example, avoiding supporting recurring expenditure from one-off sources, or creating commitments for which future resources have not been identified. Services must plan to fund such commitments from within their own budgets.

- (v) Ensure that a monitoring process is in place

A monitoring process is required to review performance levels / levels of service in conjunction with the budget and is operating effectively.

- (vi) Regularly report to the relevant Cabinet member(s)

Such reports will be prepared, in consultation with the Executive Director for Finance, upon the service's projected expenditure compared with its budget.

- (vii) Ensure prior approval by the Council or Cabinet (as appropriate) for new proposals

Prior approval of the Council or Cabinet may be required for new proposals that:

- Create financial commitments in future years.
- Change existing policies, initiate new policies or cease existing policies.
- Materially extend or reduce the Council's services.

(viii) Ensure compliance with the scheme of virement

The scheme of virement is explained within paragraph 4.3.3.

(ix) Agree with the relevant Executive Director where it appears that a budget proposal, including a virement proposal, may impact on another service area.

(x) Ensure that adequate training is delivered to all staff assigned responsibility for budget management

Training should be provided on an ongoing basis to ensure that budget holders have the necessary knowledge and skills to effectively manage their budgets.

The Executive Director for Finance will ensure that each budget holder receives timely information on receipts and payments for each budget, which is sufficiently detailed to enable them and their managers to fulfil their budgetary responsibilities.

The Executive Director for Finance will monitor performance against the Council's budget on an ongoing basis, and will advise upon the Council's overall financial position. Specifically, the Executive Director for Finance will prepare financial overview reports for the Deputy Leader and Cabinet Member for Finance and the Transformation Programme to present to Cabinet on a regular basis. These financial overview reports will provide a comparison of the Council's projected income and expenditure and the latest approved budget and will include an assessment of the Council's reserves and balances and overall financial position.

4.3.3. Scheme of virement

As detailed in paragraph 4.3.2, Executive Directors must ensure that spending remains within the service's overall cash limit, and that spending does not exceed individual policy budget headings. It is however permissible, in certain circumstances, to switch resources between approved budget headings, subject to obtaining the necessary approval. The switching of resources between approved policy budget headings is referred to as a virement.

The virement rules are as follows:

General rules

- (i) No expenditure shall be incurred without appropriate budget provision and, if necessary, a virement should be undertaken to put this in place.
- (ii) No virement relating to a specific financial year should be made at the end of the financial year after the date specified within the Executive Director for Finance's timetable for closure of the accounts.
- (iii) Virements are not permitted in relation to asset charges or other budget headings that are deemed to be outside the control of the relevant budget holder, or where a proposal would adversely affect long-term revenue commitments.
- (iv) A virement that is likely to impact on the level of service activity of another budget holder can be implemented only with the agreement of the relevant budget holder(s).
- (v) Amounts that require the approval of a Cabinet Member must specify the proposed expenditure and the source of funding, and must explain the implications in the current and future financial years.
- (vi) Where Member approval is required to a virement, this approval will normally be sought through a Cabinet Member Action (CMA).
- (vii) When a Cabinet Member is making a decision on an operational matter, any necessary virements must be included as part of that decision.

Virements

- (viii) Virements may be exercised, subject to obtaining the relevant approval, as follows:

| Amount of virement (£) | Required signatories to authorise virement | | | | | |
|--|--|------------------|-----------------------|---------------------------|--------------------------------|---|
| | Operational budget holder(s) | Heads of Service | Executive Director(s) | Service Cabinet Member(s) | Executive Director for Finance | Cabinet Member for Finance and the Transformation Programme |
| Virements within the same portfolio | | | | | | |
| Up to £100,000 | ✓ | x | x | x | x | x |
| In excess of £100,000 and up to £250,000 | ✓ | ✓ | x | x | x | x |
| In excess of £250,000 | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Virements between portfolios | | | | | | |
| Up to £250,000 | ✓ | ✓ | ✓ | ✓ | x | x |
| In excess of £250,000 | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |

Virements between Portfolios (trading activities)

- (ix) The prior approval of the Deputy Leader and Cabinet Member for Finance and the Transformation Programme is required, after consultation with the Executive Directors, the Executive Director for Finance and the relevant Service Cabinet Members, in respect of proposals to transfer part of a trading activity's reserves to finance expenditure by a Service, or to make a contribution from a Service to a trading activity.

Exceptions to the virement rules

- (x) The virement rules do not apply to the movement of budget between the individual budget headings of an individual trading activity. The approval of the Deputy Leader and Cabinet Member for Finance and the Transformation Programme is however required to transfer resources between trading activities and the General Fund Balance - see paragraph 3.5.3.
- (xi) Member approval is not required when the virement reflects the implementation of decisions already taken by Members, except where supplementary funding is required that was not made explicit when the decision was taken. In this case, the process outlined under section 4.3.4 (Supplementary estimates) must be followed.
- (xii) Member approval is not required where a budget will continue to be used for the approved purpose but is being transferred to reflect a change in budget holder responsibilities. Such transfers will however require the approval of the relevant Senior Finance Business Partner(s) where the budget transfer crosses policy budget headings.
- (xiii) Member approval is not required for budget movements arising in order to comply with the CIPFA Best Value Accounting Code of Practice guidance on accounting for overheads, or budget movements arising in order to comply with proper accounting practice. Approval is required from the relevant Senior Finance Business Partner(s).

4.3.4. Supplementary estimates

In the event that it is not possible to move resources between budget headings to meet a liability, a request may be made to the Deputy Leader and Cabinet Member for Finance and the Transformation Programme, following consultation with the Executive Director for Finance, for a supplementary estimate (i.e. additional funds).

Supplementary funding can only be requested for one-off purposes although it may be possible to request funding for a project that spans over more than one financial year. Where additional funding is required on an ongoing basis, the full year effect must be addressed through the revenue budget setting process.

A request for a supplementary estimate must specify:

- (i) the amount and profile of the proposed expenditure;
- (ii) the source(s) of funding (which will be advised by the Executive Director for Finance); and

- (iii) why the supplementary funding is required and whether there are any on-going cost implications.

Requests for supplementary funding will usually be sought via the regular financial overview reports that are presented to Cabinet. The prior agreement of the Executive Director for Finance will be required to seek approval to supplementary estimates via a Cabinet Member Action.

4.3.5. Treatment of year end balances

(i) Carry forward scheme

In certain circumstances, it is permissible to transfer resources between accounting years (i.e. carry unspent budget forward for use in the following year or fund an over spend in the current year from next year's budget allocation).

The Cabinet is responsible for agreeing the procedures for carrying forward under or over spends on budget headings. The Executive Director for Finance administers the scheme in accordance with the guidelines set by the Cabinet.

The carry forward scheme applies at Portfolio (or Recharged Strategic Support Service) level.

Approval to carry forward under spends will not be given prior to consideration by Cabinet of the final outturn position of individual portfolios (or Recharged Strategic Support Services), and the overall financial position of the Council upon closure of the accounts, as the Council's ability to support the carry forward requests will need to be assessed.

Where a Portfolio (or Recharged Strategic Support Service) has received a supplementary estimate (see paragraph 4.3.4) during the year, for the purpose of funding controllable expenditure, the value of the supplementary estimate may be deducted from any amounts the Portfolio is permitted to carry forward into the following financial year. The Cabinet has discretion to waive this restriction in exceptional circumstances.

Where a Portfolio has over spent, this will be carried forward and deducted from the Portfolio's budget in the following year, unless the Cabinet agrees otherwise.

Where a portfolio identifies the need to incur expenditure in the current financial year for which budget provision has been made in the following year's budget, a supplementary estimate can be requested when this is done in a planned way, and in advance of the expenditure being incurred. In this instance the following year's budget will be correspondingly reduced and the current year's increased expenditure will not be categorised as an over spend.

(ii) Trading activities

All internal trading activity and business unit surpluses shall be carried forward, subject to a report by the Executive Director for Finance to the Cabinet if it is considered that the level of cash balances held is greater than deemed necessary for the business needs of the operation. Any deficits will be financed by a withdrawal from the relevant Trading Activity's accumulated reserves, or from an approved contribution from the General Fund Balance (see paragraph 3.5.2).

(iii) Partnership schemes

The funding of some partnership schemes is ring-fenced (including the contribution made by the Council) and is not therefore available for alternative use by the Council. The unspent balances on approved partnership schemes will be carried into an earmarked Partnerships Reserve, which can be drawn upon to finance expenditure by the partnerships in a subsequent year.

(iv) Grant funded schemes

Grants and contributions relating to revenue expenditure must be credited to income when there is reasonable assurance that the Council will comply with the conditions attached to the grant; and the grants or contributions will be received. Where there are no conditions attached to the grant, the grant is recognised immediately as income in the Comprehensive Income and Expenditure Statement. This may mean that the grant is recognised as income in advance of the related expenditure. In such instances, the unspent grant will be carried into an earmarked Grants Equalisation reserve, which can be applied, and matched with the related expenditure, in a subsequent year.

(v) Dividend Policy

Dividend received from subsidiaries of the Council will not be automatically treated as income to service budgets but will be presented to the Cabinet Member for Finance and the Transformation Programme for consideration.

Additionally, when a delivery vehicle is set up a dividend policy must be agreed in advance. This should include the process for decisions regarding retained profit and dividend, as well as a timetable for the payment of dividend to shareholders.

(vi) **Individual Schools' budgets**

Individual Schools' budgets are ring-fenced in accordance with statutory provisions.

Under spends against individual schools' budgets are appropriated into the Schools' reserve to support expenditure in a later year by the school(s) concerned. A Balance Control Mechanism limits unspent balances in schools by re-distributing funds in excess of prescribed limits.

School over spends are financed by a withdrawal from the Schools' reserves accumulated in previous years. Where an unplanned deficit occurs, the governing body must prepare a detailed financial recovery plan, which will be evaluated by the Executive Director for Schools, Children and Families and the Executive Director for Finance. If the deficit exceeds 5% of the school's budget, the plan will be referred to the Service Cabinet Member. Schools will normally be expected to agree a plan to recover the deficit within a defined period.

4.4. Capital payments monitoring and control

The principles and framework for managing the revenue budget (as set out within paragraphs 4.3.1 and 4.3.2) will apply equally with regard to the monitoring and management of individual capital projects.

The scheme of virement, as set out in paragraph 4.3.3 does not apply to capital expenditure, as approval for this expenditure is given on a scheme basis, rather than by portfolio. Exceptionally, Cabinet approval may be sought to utilise an under spend on one capital project to offset additional costs arising in relation to another approved scheme, provided that such an approach is supported by the Executive Director for Finance.

Capital expenditure will be subject to scrutiny in accordance with the Council's project governance framework.

4.5. Trading activities

Trading activities must manage their income and expenditure to an overall financial target (see paragraph 3.5.2); in doing so, trading activities must operate within the Council's framework for budgetary control (as outlined within paragraph 4.3.2).

As soon as it is known that the trading activity may make a deficit which cannot be met from the trading activity's own accumulated reserves or from an approved contribution from the General Fund, approval must be sought from Cabinet to:

- (i) A supplementary estimate (see paragraph 4.3.4); or
- (ii) A contribution from a Service's budget (see paragraph 4.3.3).

In addition, a business plan must be produced that demonstrates how the trading activity will return to a minimum of a break even trading position and the period over which this will be achieved (see paragraph 3.5.2).

5. Accounting records and financial systems

5.1. Accounting records

Maintenance of proper accounting records is one of the ways in which the Council discharges its responsibility for stewardship of public resources.

The Executive Director for Finance is responsible for determining the accounting procedures and records for the Council, and for the compilation of all accounts and accounting records.

The Council's accounting records are maintained within its General Ledger (IFS). A standard coding structure is maintained within the General Ledger that enables actual and budgeted income and expenditure to be analysed by category (i.e. revenue, capital, balance sheet), type (e.g. employee costs, premises related expenditure, supplies and services etc) and by activity. This coding structure provides the flexibility to analyse income and expenditure in a variety of ways; according to the political and management structures of the Council, as well as satisfying the Council's statutory external reporting requirements. The integrity of the General Ledger is therefore dependent upon transactions being coded correctly at source.

The coding structure centred on the Council's political management arrangements is the one that will be used to determine how the financial regulations related to financial planning (see section 3) and financial management (see section 4) are applied.

Executive Directors are responsible for ensuring that their services comply with the coding conventions adopted within the General Ledger. This includes adherence to the standard subjective classifications for categories of income and expenditure. Compliance with these standard classifications is necessary to ensure adherence to proper accounting practice. The requirement to adhere to the standard classification applies even where projects have net nil budgets (i.e. income matches expenditure). In the event that application of this standard classification results in under or over spends, appropriate action must be taken to re-align the budgets (see paragraphs 4.3.3 and 4.3.4); the guiding principle is that budget provision should follow expenditure and/or income, and not vice versa.

5.2. Annual statement of accounts

The Council has a statutory responsibility to prepare its accounts to present a true and fair view of the financial performance and results of its activities during the year, and is responsible for approving and publishing those annual statements in accordance with the timetable specified in the Accounts and Audit Regulations.

The Executive Director for Finance is responsible for selecting suitable accounting policies, and for applying them consistently, to ensure that the Council's annual statement of accounts is prepared in compliance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom and other relevant accounting standards and statutory provisions. In addition, the Executive Director for Finance will ensure that the Statement of Accounts is compiled, approved and published in accordance with the statutory timetable specified within the relevant Accounts and Audit Regulations.

The Executive Director for Finance will issue accounting instruction notes for closure of the accounts, including a timetable, annually. All budget holders must comply with these accounting instructions and supply the information requested by the dates specified.

The Executive Director for Finance must sign and date the Statement of Accounts; thereby confirming that the accounts give a 'true and fair' view of the financial position of the Council at the accounting date and its income and expenditure for the year ended 31 March.

The Executive Director for Finance is responsible for making proper arrangements for the audit of the Council's accounts.

5.3. Financial Systems

The Executive Director for Finance has responsibility for ensuring that the Council's financial systems (including any financial elements of non financial or integrated systems) are sound, properly maintained and that they are held securely. The Executive Director for Finance will therefore determine the accounting systems, form of accounts and supporting financial records.

Executive Directors must ensure that prior approval is obtained from the Executive Director for Finance and Chief Information Officer to operate any financial system (including any financial elements of a non financial or integrated system) within their Directorate. Prior approval must also be obtained from the Executive Director for Finance and Chief Information Officer to make changes to any such financial systems already being operated within a Service Directorate. The 'go live' sign off criteria, as defined by the Chief Information Officer, must be complied with in respect of implementation or amendment to any financial systems operated within a Service Directorate. A [S151 Officer Change Request Form](#) must be submitted to the Executive Director for Finance for approval prior to making any changes to financial systems.

Systems must be documented and backed up, and disaster recovery and business continuity plans must be maintained to allow information system processing to resume quickly in the event of an interruption. Executive Directors will ensure that an adequate audit trail exists through the computerised system and that such audit reviews as the Director may consider necessary are being carried out.

Where appropriate, computer systems will be registered in accordance with [data protection legislation](#).

Relevant policies and guidelines for computer systems and equipment that are issued by the Chief Information Officer will be observed.

6. Risk Management and Internal Control

6.1. Introduction

It is essential that robust, integrated systems are developed and maintained for identifying and evaluating all significant strategic and operational risks to the Council. This should include the proactive participation of all those associated with planning and delivering services.

6.2. Risk management

Risk management is concerned with evaluating the measures in place, and the actions needed, to identify and control risks effectively. The objectives are to secure the Council's assets and to ensure the Council's continued financial and organisational well being.

It is the overall responsibility of the Cabinet to set the Council's risk appetite and approve the Council's [Risk Management Policy and Strategy](#), to review the strategic risk register and to promote a culture of risk management awareness throughout the Council.

The Strategic Risk Manager is responsible for preparing the [Council's Risk Management Policy and Strategy](#), and for promoting it throughout the Council where appropriate.

The Strategic Risk Manager will:

- (i) Ensure that procedures are in place to identify, assess, prevent or contain material risks, and also allow for the identification and management of positive opportunities.
- (ii) Regularly review the effectiveness of risk reduction strategies and controls.
- (iii) Engender a positive attitude towards the control of risk.
- (iv) Provide relevant information on risk management initiatives, and training on risk management.
- (v) Ensure that acceptable levels of risk are determined.

The Business Continuity Risk Manager is responsible for:

- (vi) Developing risk management controls, including Business Continuity Planning, in conjunction with Executive Directors and the Strategic Risk Manager.
- (vii) Ensuring that the Council has effective business continuity plans for implementation in the event of disaster which results in significant loss or damage to its resources.

Executive Directors must have regard to the advice of the Strategic Risk Manager, and adhere to the Council's [Risk Management Policy and Strategy](#). Specifically, Executive Directors must:

- (viii) Take full ownership of all risks within their Directorate, including those related to partnerships in which their Directorate participates.
- (ix) Ensure that risk management is implemented in line with the Council's Risk Management Strategy and the minimum standard for business planning process.
- (x) Appoint a Risk Coordinator and authorise him/her to progress effective risk management that adheres to corporate guidelines.
- (xi) Identify and manage risks and ensure that mitigating actions are regularly reported.
- (xii) Have regard to other specialist officers (e.g. crime prevention, fire prevention, information governance, health and safety).
- (xiii) Ensure there are appropriate arrangements within their service area to identify risk issues and take appropriate action to mitigate the effects of them and maximise opportunities. This includes ensuring that the relevant officers are trained to manage risk and where required provide a defence for ECC.
- (xiv) Make sure that consideration is given and appropriate arrangements are made to ensure service delivery by 3rd party providers and delivery vehicles.
- (xv) Ensure that service programme, project and partnership risk registers are compiled, and kept up to date.

6.3. Insurance

The Cabinet is responsible for ensuring that proper insurance exists. The Executive Director for Finance is responsible for advising the Cabinet on proper insurance cover, and will:

- (i) Effect corporate insurance cover, through external insurance and internal funding, and negotiate all claims in consultation with other officers, where necessary.
- (ii) Include all appropriate employees of the Council in suitable fidelity guarantee insurance.
- (iii) Offer insurance cover to schools in accordance with arrangements for financing schools.
- (iv) Ensure that provision is made for losses that might result from identified risks.
- (v) Ensure that procedures are in place to investigate claims within required timescales.

- (vi) Be aware of and manage effectively operational risk to the Council.

Executive Directors must comply with all relevant Insurance terms and conditions, to include:

- (vii) Notifying the Executive Director for Finance immediately of any loss, liability or damage that may lead to a claim against the Council, together with any information or explanation required by the Executive Director for Finance or the Council's insurers.
- (viii) Notifying the Executive Director for Finance promptly of all new risks, properties or vehicles that require insurance and of any alterations affecting existing insurances.
- (ix) Consulting the Executive Director for Finance and the Monitoring Officer (see paragraph 2.6.2) on the terms of any indemnity that the authority is requested to give.
- (x) Ensuring that employees, or anyone covered by the Council's insurances, do not admit liability or make any offer to pay compensation that may prejudice the assessment of liability in respect of any insurance claim.

6.4. Internal Control and the governance framework

The Council faces a wide range of financial, administrative and commercial risks, both from internal and external factors, which threaten the achievement of its strategic objectives and statutory obligations. Internal controls are 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.

It is the responsibility of the Executive Director for Finance to assist the Council to put in place an appropriate control environment and effective internal controls that adhere with proper practices, and provide reasonable assurance of effective and efficient operations, financial stewardship, probity and compliance with laws and regulations.

The system of internal control is a significant part of the Council's governance framework. The Executive Director for Finance will compile an Annual Governance Statement, based on self assessments undertaken by Executive Directors of the status of the systems of governance within their areas. The Governance Statement will be approved by the [Audit Committee](#) each year. The Governance Statement will be compiled with reference to proper practices in relation to governance (principally the CIPFA/SOLACE guidance 'Delivering Good Governance in Local Government').

The governance framework, control environment and internal controls include:

- (i) Identification and communication of the Council's vision of its purpose and intended outcomes for citizens and service users.
- (ii) Reviewing the Council's vision and its implications for the Council's governance arrangements.
- (iii) Measuring the quality of services for users, and ensuring they are delivered in accordance with the Council's objectives and that they represent the best use of resources.
- (iv) Project management.
- (v) Defining and documenting the roles and responsibilities of the executive, non executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication.
- (vi) Developing, communication and embedding codes of conduct, defining the standards of behaviour for members and staff.
- (vii) Reviewing and updating standing orders, standing financial instructions, a scheme of delegation and supporting procedural notes/manuals, which clearly define how decisions are taken and the processes and controls required for managing risks.
- (viii) Undertaking the core functions of an Audit Committee, as identified in CIPFA's Audit Committees – Practical Guidance for Local Authorities.
- (ix) Ensuring compliance with relevant laws and regulations, internal policies and procedures and that expenditure is lawful.
- (x) Whistle blowing and arrangements for receiving and investigating complaints from the public.
- (xi) Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation.
- (xii) Incorporating good governance arrangements in respect of partnerships and other group working as identified by the Audit Commission's report Governing Partnerships: Bridging the Accountability Gap, and reflecting these in the Council's overall governance arrangements.
- (xiii) Policies, objectives and plans, monitoring financial and other performance and taking appropriate anticipatory and remedial action.
- (xiv) Financial and operational control systems and procedures which comprise physical safeguards for assets, segregation of duties, authorisation and approval procedures and information systems.

- (xv) An effective internal audit function that is properly resourced, and which operates in accordance with the principles contained in the Auditing Practices Board's auditing guideline Guidance for Internal Auditors, CIPFA's Code of Practice for Internal Audit in Local Government in the United Kingdom and with any other statutory obligations and regulations.

It is the responsibility of Executive Directors to:

- (xvi) 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.
- (xvii) Manage processes to check that established controls are being adhered to and to evaluate their effectiveness, in order to be confident in the proper use of resources, achievement of objectives and management of risks.
- (xviii) Communicate responsibilities, codes of conduct and the importance of good governance arrangements to their staff.
- (xix) Review existing controls in the light of changes affecting the Council and to establish and implement new ones in line with guidance from the Executive Director for Finance. Executive Directors should also be responsible, after consultation with the Executive Director for Finance, for removing controls that are unnecessary or not cost, or risk, effective.
- (xx) Ensure that staff clearly understand the consequences of lack of control and inadequate governance arrangements.
- (xxi) Undertake an annual self assessment of the status of the governance framework, including systems of internal control within their service areas, as directed by the Executive Director for Finance.
- (xxii) Support internal audit in any review being undertaken within their area, and respond to issues raised within audit reports within the agreed timescale.

6.5. Preventing fraud and corruption

6.5.1. Anti fraud and anti corruption policy

The Council has an effective [Anti fraud and corruption policy](#) and maintains a culture that will not tolerate fraud or corruption. It is the responsibility of the Executive Director for Finance to maintain and develop the Council's anti-fraud and anti-corruption policy.

Executive Directors must ensure that this policy is adhered to and that all appropriate action is taken. This will include reporting all suspected irregularities to the Assistant Director, Internal Audit and Risk Management Consultancy Service (see paragraph 6.6.2).

6.5.2. Hospitality register and Register of interests

A local authority is funded almost entirely from public funds, either through grants from central government (funded through general taxpayer), or through council tax, funded from the local tax payer and it is essential that the authority can demonstrate the highest standards of probity in general, and specifically in relation to its dealings with third parties. These relationships are a source of considerable interest and are subject to close scrutiny, both through formal and regular channels such as our auditors, and also through more ad hoc channels such as Freedom of Information requests.

All interests of a personal and/or financial nature with external bodies and/or persons who have, or seek to have, dealings with the Council must be formally declared. Acceptance of hospitality should be properly authorised, with due consideration being given to the timing of the hospitality in relation to decisions to be taken by the Council. Executive Directors must ensure that an up to date directorate Register of Interests (including a gifts and hospitality register) is established and maintained. The register should include a full record of all offers of gifts and hospitality offered, and received, irrespective of whether they are accepted.

The [Gifts and Hospitality Policy](#) provides further guidance.

6.5.3. Whistle blowing

In accordance with the Council's [Whistle blowing policy](#), all suspected irregularities must be reported to the Head of Internal Audit and Risk Management Consultancy Service (see paragraph 6.6.2). After consultation with the Head of Internal Audit and Risk Management Consultancy Service, the police will be called in where sufficient evidence exists to indicate that a criminal offence may have been committed, to determine, with the Crown Prosecution Service, whether any prosecution will take place.

The Assistant Director Internal Audit and Risk Management Consultancy Services will report significant matters to the Chief Executive, Cabinet and the Audit Committee (see paragraph 2.5).

In addition to the whistle blowing policy the Council's '[Speak up!](#)' Campaign provides further guidance on how employees can raise issues or concerns about inappropriate behaviour.

6.5.4. Standards of conduct

The full responsibilities with regard to standards of conduct of officers and Members are set out in the [Codes of Conduct \(Officers and Members\)](#). However, in summary:

- (i) Members and officers are required, at all times, to treat others with respect, act with integrity and to lead by example.
- (ii) Senior managers are required to investigate and deal swiftly with those who breach or fail to meet the standards defined within the Officers' Code of Conduct.
- (iii) High standards of conduct are promoted amongst Members by the Standards Committee.
- (iv) Legislation, including the Public Interest Disclosure Act 1998, must be adhered to.
- (v) The Council's disciplinary procedures will be instigated where there is clear evidence of improper behaviour.

6.5.5. Money laundering

Money laundering is defined as:

- (i) Concealing, disguising, converting, transferring or removing criminal property from the Country.
- (ii) Being concerned in an arrangement which a person knows of, suspects or facilitates the acquisition, retention, use or control of criminal property.

In accordance with the Council's [Anti-money laundering policy](#), all suspected attempts to use the Council to launder money must be reported to the Assistant Director, Internal Audit and Risk Management Consultancy Services who is also the Council's Money Laundering Reporting Officer.

Executive Directors must ensure that their staff are aware of the possibility of money laundering and of their obligations under the money laundering legislation, so that they can recognise situations that might lead to suspicions of money laundering arising.

When a person knows or suspects that money laundering activity is taking place (or has taken place), or becomes concerned that their involvement in a matter may amount to a prohibited act under the Proceeds of Crime Act 2002 and the Money Laundering Regulations 2011, they must disclose this as soon as practicable or risk prosecution.

Offences under the Proceeds of Crime Act and Money Laundering Regulations can attract penalties of unlimited fines and up to 14 years imprisonment.

6.5.6. Anti Bribery Policy

In accordance with the Council's [Anti Bribery Policy](#), the detection, prevention and reporting of bribery and other forms of corruption are the responsibility of all those working for Essex County Council or under its control. Bribery is an inducement or reward offered, promised or provided to gain personal, commercial, regulatory or contractual advantage. The Bribery Act has been enacted to enable robust action against such activity and became law in 2011.

6.5.7. Promoting good governance

The Council's website on [How We Get Things Done](#) provides further information and guidance on the policies used in promoting good governance across the Council. Executive Directors are responsible for ensuring that all members of staff in their services complete mandatory governance training provided via e-learning modules on the Council website. Executive Directors are also responsible for ensuring that training is refreshed every 24 months.

6.6. Audit requirements

6.6.1. External audit

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 and include reviewing and reporting upon:

- (i) The financial aspects of the Council's corporate governance arrangements.
- (ii) The Council's financial statements; the external auditor must be satisfied that the statement of accounts give a 'true and fair view' of the financial position of the Council and its income and expenditure for the year in question and complies with the legal requirements.

The Council may, from time to time, also be subject to audit, inspection or investigation by external bodies such as HM Revenue and Customs and the Inland Revenue, who have statutory rights of access.

The External Auditors and other statutory inspectors must be given access at all reasonable times to premises, personnel, documents and assets that they consider necessary for the purposes of their work.

Services must respond to external audit and inspection reports in writing, within a timescale agreed by the appropriate Executive Directors and the External Auditor, detailing the action intended to address any recommendations.

6.6.2. Internal Audit

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 more specifically require authorities to maintain an adequate and effective system of internal audit of its accounting records and of its internal controls, and to conduct an annual review of the effectiveness of its systems of internal audit. The findings of these annual reviews are considered by the Audit Committee (see paragraph 2.5) on behalf of the Council as part of the consideration of the system of internal control referred to in paragraph 6.4.

Internal audit is an independent and objective appraisal function, established by the Council for reviewing the system of internal control and assists the Council's stakeholders on business objectives and related risks and, thereby, contributes strategically to the organisation.

The internal auditors adhere to proper practices in relation to internal control; specifically, the CIPFA Code of Practice on internal audit in local government in the United Kingdom, IIA (Institute of Internal Auditors) and the COSO (Committee of Sponsoring Organisations) risk framework. They examine, evaluate and report upon the adequacy of internal control as a contribution to the proper, economic, efficient and effective use of resources.

The Internal auditors have the authority to:

- (i) Access any Council premises, assets, records, documents and correspondence, and control systems.

- (ii) Receive any information and explanation related to any matter under consideration.
- (iii) Require any employee of the Council or school maintained by the Council to account for cash, stores or any other asset under his or her control.
- (iv) Access records belonging to third parties (e.g. Contractors) when required.
- (v) Directly access the Chief Executive, the Cabinet, the Audit Committee and Executive Scrutiny Committee.

The Executive Director for Finance and the Audit Committee will approve the annual audit plan prepared by the Assistant Director, Internal Audit and Risk Management Consultancy Services, which takes account of the characteristics and relative risks of the activities involved. The Executive Director for Finance and Audit Committee will also ensure that effective procedures are in place to investigate promptly any fraud or irregularity.

Services must respond to internal audit reports in writing, within a timescale agreed as part of the internal audit methodology detailing the action intended, responsible officer, timescale for implementation and whether the action will require additional resources, to address all agreed recommendations. The relevant Executive Directors must ensure that any agreed actions arising from audit recommendations are carried out in a timely and efficient fashion. This is validated by the quarterly follow up process undertaken by internal audit.

The Assistant Director, Internal Audit and Risk Management Consultancy Services will maintain a record of all reports and allegations of suspected fraud, corruption or other financial irregularity in respect of funds and assets that are the responsibility of the Council, and will ensure that appropriate action is taken to investigate these.

The Assistant Director, Internal Audit and Risk Management Consultancy Services will be given the opportunity to evaluate the adequacy of new systems, or changes to existing systems, for maintaining financial records or records of assets, in a timely manner before live operation.

7. Control of resources

7.1. Assets

7.1.1. Security of assets

The Council holds assets in the form of property, land, vehicles, equipment, furniture and other items worth many millions of pounds. These assets must be safeguarded and used efficiently in service delivery.

All staff have a responsibility for safeguarding the Council's assets and information, including safeguarding the security of the Council's computer systems and for ensuring compliance with the Council's computer and Internet security policies.

Notwithstanding this, Executive Directors will:

- (i) Ensure the proper security of all buildings and other assets under their control and consult with the Executive Director for Environment Sustainability and Highways in any case where security is thought to be defective or where it is considered that special security arrangements may be needed.
- (ii) Ensure that no Council asset is subject to personal use by an employee without proper authority.
- (iii) Ensure the safe custody of vehicles, equipment, furniture, stock, stores and other property belonging to the Council.
- (iv) Ensure cash holdings on premises are kept to a minimum.
- (v) Ensure that keys to safes and similar receptacles are carried on the person of those responsible at all times; loss of any such keys must be reported to the relevant Head of Service and the Assistant Director, Internal Audit and Risk Management Consultancy Services.

The Executive Director for Environment Sustainability and Highways is responsible for custody of all title deeds.

7.1.2. Asset registers

The Executive Director for Finance is responsible for the maintenance of a register of the Council's Non Current Assets.

The corporate Fixed Assets Register is maintained by Finance Professional Services (Financial Compliance), in accordance with good practice, for all items capitalised in accordance the guidelines set out with paragraph 3.4.1, and all items that the Council has acquired for a prolonged period under the terms of a lease.

This means that the Fixed Asset Register will be maintained for:

- (i) All land held by the Council.
- (ii) All buildings held by the Council, including those held under the terms of a lease, and those held for investment purposes, for disposal or deemed surplus to requirements.
- (iii) All highways infrastructure that, when acquired, was capitalised in accordance with the guidance set out within paragraph 3.4.1.
- (iv) All vehicles, plant and equipment (including IT hardware) that, when acquired, were capitalised in accordance with the guidance set out within paragraph 3.4.1.
- (v) All IT software that, when acquired, was capitalised in accordance with the guidance set out within paragraph 3.4.1.

Executive Directors will provide the Executive Director for Finance with any information necessary to maintain the Fixed Asset Register. This will include confirmation, and the location, of moveable assets, which should be appropriately marked and insured.

Property, plant and equipment that are required to be measured at fair value will be re-valued, under a rolling five year programme, in accordance methodologies and bases for estimation set out in the professional standards of the Royal Institute of Chartered Surveyors (RICS).

The Chief Information Officer is responsible for ensuring that a robust process is in place for the effective management of all IT assets (including Blackberry and other handheld devices).

This should include the maintenance of a register of the Council's IT assets in accordance with best practice. The register should be updated on a timely basis with details of all new assets, assets that have been destroyed and those in store for reuse or recycling, including the location of the asset.

Management checks should be introduced to ensure that the [Rules of Engagement](#) which prescribe that all IT Assets and Services must be commissioned by Information Services is complied with.

7.1.3. Use of property other than for direct service delivery

Any use of property by a Service or establishment other than for direct service delivery should be supported by documentation identifying terms, responsibilities and duration of use.

Lessees and other prospective occupiers of council land and buildings are not permitted to take possession or enter the land unless a lease or agreement, in a form approved by the relevant Executive Directors in consultation with the Executive Director for Environment Sustainability and Highways has been established as appropriate.

7.1.4. Disposal of assets

Approval is required to declare land and buildings surplus to requirements, as follows:

| Approval required | Value of land / buildings surplus to requirements | |
|--|---|----------------------|
| | Up to £50,000 | In excess of £50,000 |
| Executive Director for Environment Sustainability and Highways | ✓ | ✓ |
| Cabinet Member for Procurement, Property and Major Projects | × | ✓ |

Once land and buildings have been declared surplus to requirements, the Executive Director for Environment Sustainability and Highways will arrange for the disposal of these assets in accordance with best practice.

The Executive Director for Environment Sustainability and Highways will inform the relevant Executive Director and the relevant Service Cabinet Member when such decisions are made.

The Executive Director for Finance will advise on best practice for disposal of other assets that are deemed surplus to requirements.

Assets will be disposed of at the most appropriate time, and only when it is in the best interests of the Council, and best price is obtained, bearing in mind other factors, such as environmental issues and security (Data Protection).

Executive Directors must notify the Executive Director for Finance of such disposals. The Executive Director for Finance will ensure that appropriate accounting entries are made to remove the value of assets no longer held from the Council's financial records and to include the sale proceeds if appropriate.

The Chief Information Officer will arrange for the decommissioning of IT equipment. The Chief Information Officer is responsible for ensuring that the standards, policies and guidelines of decommissioning of IT equipment (including Blackberry and other handheld devices) are well defined and communicated to all staff within the Council. The Data Protection Act must be a key consideration in the decommissioning of IT equipment.

Once IT equipment has been declared surplus to requirements, the Budget holder or their delegate will arrange for the disposal of these assets in accordance with best practice.

The disposal of assets requires the budget holder or delegate to follow the process of raising a non standard service request. The asset manager will ensure that appropriate accounting entries are made to remove the value of assets no longer held from the Council's financial records and to include the sale proceeds if appropriate.

7.2. Inventories

Executive Directors will maintain inventories of all furniture, fittings, equipment, plant and machinery. In addition, they will carry out an annual check of all items on the inventory in order to verify location, review condition and to take action in relation to surpluses or deficiencies, annotating the inventory accordingly.

Attractive and portable items such as computers, cameras and video recorders should be identified with security markings.

Property should only be used in the course of the Council's business, unless the Executive Directors concerned has given permission otherwise.

7.3. Stock and stores

Executive Directors will make adequate arrangements for the care and custody of stock and stores (ie. items purchased for resale).

Stock should be maintained at appropriate levels and be subject to a regular independent physical check. All discrepancies must be investigated and pursued to a satisfactory conclusion.

Stock must be removed (ie. written off) from the Council's financial records when obsolete or no longer held. The approval required to write off stock balances per annum is as follows:

| Approval required | Value of stock write off per annum | | |
|--------------------------------|------------------------------------|--|----------------------|
| | Up to £10,000 | In excess of £10,000 and up to £20,000 | In excess of £20,000 |
| Executive Directors | ✓ | ✓ | ✓ |
| Executive Director for Finance | ✗ | ✓ | ✓ |
| Service Cabinet Member | ✗ | ✗ | ✓ |

Procedures for disposal of such stock and equipment should be by competitive quotations or auction, unless, following consultation with the Executive Director for Finance, the Cabinet decides otherwise in a particular case.

7.4. Cash

7.4.1. Introduction

All money in the hands of the Council is controlled by the Executive Director for Finance. The Executive Director for Finance is thereby responsible for providing assurances that the Council's money is properly managed in a way that balances risk with return, with the overriding consideration being given to security.

In accordance with the Council's [Anti Money Laundering Policy](#), all suspected attempts to use the Council to launder money must be reported to the Assistant Director, Internal Audit and Risk Management Consultancy Services who is the Council's Money Laundering Reporting Officer (see paragraph 6.5.5).

7.4.2. Treasury management

Treasury management is an important aspect of the overall financial management of the Council. Treasury management activities are those associated with the management of the Council's cash flows and its borrowing and investments. A fundamental aim is to effectively control the risks associated with these activities and to pursue best value, in so far as that is consistent with the effective management of risk.

The Local Government (Capital Finance and Accounting) (England) Regulations 2010 require the Council to comply with the CIPFA Treasury Management in the Public Services: Code of Practice and Cross-sectoral Guidance Notes. The Council has adopted CIPFA's Code of Practice for Treasury Management, and has accordingly approved a Treasury Management Policy Statement, which sets out the policies and objectives of its treasury management activities, and a series of treasury management practices (TMP's) which set out the manner in which the Council will seek to achieve its policies and objectives for treasury management. The Executive Director for Finance is responsible for maintaining the Treasury Management Policy Statement and TMP's, and for recommending any changes to Council for approval.

The Executive Director for Finance will prepare an annual Treasury Management Strategy for submission to the Council in advance of the start of the relevant financial year. The Strategy will comply with CIPFA's Code of Practice for Treasury Management, Investment Regulations and the Council's Treasury Management Policy Statement and TMP's.

All decisions on borrowing and investments are delegated to the Executive Director for Finance and the Assistant Director – Financial Strategy who are required to act in accordance with the approved Treasury Management Strategy.

The Executive Director for Finance will report to the Cabinet at regular intervals in each financial year, on treasury management activities undertaken within delegated powers. One of these reports will comprise an annual report on treasury management.

All investments of money, and borrowings undertaken, will be made in the name of the Council. The Executive Director for Finance will maintain records of such transactions.

7.4.3. Loans to third parties

Generally, the only loans provided to third parties will include:

- (i) [Season ticket loans](#) to employees and any other such loans made to staff in accordance with the Council's [HR Guidance](#).
- (ii) Monies invested with banks and other financial institutions in accordance with the Council's approved Treasury Management strategy (see paragraph 7.4.2).

In the event that loans are sought from the Council for other purposes (e.g. where a service is being outsourced and the potential provider seeks an up front payment to support cash flows), the overriding aim will be to ensure value for money for the Council, and the overall protection of the Council's assets. All such arrangements therefore require the prior approval of the Executive Director for Finance.

Interests will not be acquired in companies, joint ventures or other enterprises without the approval of the Council, following consultation with the Executive Director for Finance.

7.4.4. Banking and imprest accounts

The opening or closing of any Council bank account will require the prior approval of the Executive Director for Finance.

The Executive Director for Finance will provide bank imprest (petty cash) accounts to meet minor expenditure on behalf of the Council and will prescribe rules for operating these accounts. The Executive Director for Finance will determine the amount of each imprest account and maintain a record of all transactions and cash advances made, and periodically review the arrangements for the safe custody and control of these advances.

Employees operating an imprest account will:

- (i) Obtain and retain vouchers to support each payment from the imprest account. Where appropriate, an official receipted VAT invoice must be obtained.
- (ii) Make adequate arrangements for the safe custody of the account.
- (iii) Produce cash and all vouchers to the total value of the imprest amount.
- (iv) Record transactions promptly.
- (v) Reconcile and balance the account at least monthly; reconciliation sheets to be signed and retained by the imprest holder.
- (vi) Ensure that the float is never used to cash personal cheques or to make personal loans and that the only payments into the account are the reimbursement of the float and change relating to purchases where an advance has been made.
- (vii) Provide the Executive Director for Finance with a certificate of the value of the account held at 31 March each year.

7.4.5. Trust funds and funds held for third parties

All trust funds will, wherever possible, be held in the name of the Council. All officers acting as trustees by virtue of their official position shall deposit securities relating to the trust with the Executive Director for Finance, unless the deed provides otherwise.

Trust funds will be operated within any relevant legislation and the specific requirements for each trust.

Where funds are held on behalf of third parties, for their secure administration, written records will be maintained of all transactions.

7.5. Staffing

The Chief Executive is responsible for providing overall management to staff and is also responsible for ensuring that there is proper use of evaluation or other agreed systems for determining the remuneration of a job.

Executive Directors are responsible for controlling total staff numbers by adjusting the staffing to a level that can be funded within their approved budget provision. They will ensure that the staffing budget is not exceeded without due authority and that it is managed to enable the agreed level of service to be provided.

The Executive Director for Finance will advise Executive Directors in conjunction with the Executive Director for Transformation, on areas such as National Insurance and pension contributions, as appropriate.

7.6. Intellectual property

Intellectual property is a generic term that includes inventions and writing. If an employee creates these during the course of employment then, as a general rule, they belong to the employer, not the employee.

Executive Directors will ensure that their staff are not carrying out private work in Council time and that their staff are aware of the Council's rights with regard to intellectual property.

Instances of where intellectual property may be, or has been, created should be referred to the relevant Executive Director(s).

8. Income and Expenditure

8.1. Income

8.1.1. Introduction

Effective income collection systems are necessary to ensure that all income due to the Council is identified, collected, receipted and banked properly.

Wherever possible, income should be collected in advance of supplying goods or services. Such an approach will avoid the time and cost of administering debts, and negates the possibility of a bad debt.

It is the responsibility of Executive Directors to ensure that staff authorised to act on their behalf in respect of income collection are clearly identified.

Executive Directors will supply the Executive Director for Finance with details relating to work done, goods supplied, services rendered or other amounts due, to enable invoices to be raised promptly for sums due to the Council, and to ensure that such amounts are properly recorded as due to the Council.

8.1.2. Charging policies

Executive Directors will establish a charging policy for the supply of goods or services, including the appropriate charging of VAT (see paragraph 8.5) and in consultation with the Executive Director for Finance where appropriate, and review it regularly, in line with corporate policies.

8.1.3. Income collection

The Executive Director for Finance will agree the arrangements for the collection of all income due to the Council and approve the procedures, systems and documentation for its collection.

In accordance with the Council's [Anti Money Laundering Policy](#), the acceptance of cash payments of greater than **£10,000** is prohibited.

In relation to the collection of income, the Executive Director for Finance and Executive Directors will ensure that:

- (i) All money received by, or on behalf of, the Council is paid fully and promptly into the appropriate Council bank account in the form in which it is received.
- (ii) Income is not used to cash personal cheques or other payments.

- (iii) Appropriate details are recorded onto paying-in slips to provide an audit trail.
- (iv) A record is kept of money received directly by employees of the Council.
- (v) The receiving officer signs for the transfer of funds, and the transferor must retain a copy.
- (vi) Ideally, at least two employees are present when post is opened so that money received by post is properly identified and recorded; this requirement must be met where post regularly contains money.
- (vii) Money collected and deposited is reconciled to the appropriate bank account on a regular basis.
- (viii) The responsibility for cash collection is separated from that for identifying the amount due and that responsibility for reconciling the amount due is separated from handling of the amount received.
- (ix) Income is only held on premises up to levels approved by the Executive Director for Finance. All such income will be locked away to safeguard against loss or theft, and to ensure the security of cash handling.
- (x) All appropriate income documents are retained and stored for the defined period in accordance with the Council's [document retention policy and schedule](#).
- (xi) The Executive Director for Finance is advised of outstanding income relating to the previous financial year as soon as possible after 31 March, in line with the timetable for closure of the accounts determined by the Executive Director for Finance.

8.1.4. Debt recovery

Executive Directors have a responsibility to assist the Executive Director for Finance in collecting debts that they have originated, by providing any further information requested by the debtor, and in pursuing the matter on the Council's behalf.

Executive Directors will establish and initiate appropriate recovery procedures, including legal action where necessary, for debts that are not paid promptly.

8.1.5. Writing off debts

Executive Directors will critically review outstanding debts on a regular basis, in conjunction with the Executive Director for Finance and Essex Legal Services, and take prompt action to write off debts no longer deemed to be recoverable.

No bona fide debt may be cancelled, other than by formal write off. The approval required to write off any debt is as follows:

| Approval required | Amount of debt write off | | |
|--------------------------------|--------------------------|--|----------------------|
| | Up to £10,000 | In excess of £10,000 and up to £50,000 | In excess of £50,000 |
| Head of Service | ✓ | ✓ | ✓ |
| Executive Directors | ✗ | ✓ | ✓ |
| Executive Director for Finance | ✗ | ✓ | ✓ |
| Service Cabinet Member | ✗ | ✗ | ✓ |

All debt write-offs of up to the **£50,000** threshold must be reported to the Service Cabinet Member.

Where debts have been referred to Essex Legal Services, the Executive Director for Finance will have due regard to the advice of the Monitoring Officer when considering action relating to bad debts.

A record must be maintained for all debts written off. The appropriate accounting adjustments will be made following write-off action.

8.1.6. Credit notes

A credit note to replace a debt can only be issued to correct a factual inaccuracy or administrative error in the calculation and/or billing of the original debt, and once it is confirmed that the debt is not payable.

Credit notes will not be issued:

- (i) For irrecoverable debts, as the formal write off procedure should be followed.

- (ii) Where the debtor cannot afford to pay at that time. The debt should remain, and revised payment terms agreed.
- (iii) Where a debt is to be recovered through deductions from payments. In such instances, the deductions made should be offset against the debtor.

Credit notes will be subject to the approval of the operational budget holder.

8.2. Ordering and paying for work, goods and services

8.2.1. Introduction

Public money must be spent with demonstrable probity and in accordance with the Council's policies. The Council's procedures help to ensure that services obtain value for money from their purchasing arrangements through the use of established contracts, service level agreements and the use of the Council's systems.

Every officer and member of the Council has a responsibility to declare any links or personal interests that they may have with purchasers, suppliers and/or contractors if they are engaged in contractual or purchasing decisions on behalf of the Council, in accordance with appropriate codes of conduct.

8.2.2. Ordering works, goods and services

Works, goods and services below £2,000 (where there is not a mandated contract in place) can be obtained through using a Purchase Card. All transactions must be in accordance with ECC's Purchase Card policy. For further information and guidance, [please click here](#).

All works, goods and services must be ordered in accordance with the Council's Procurement Policies and Procedures, and in accordance with the standardisation of supplies and materials (including the use of mandated contracts). Standard terms and conditions must not be varied without the prior approval of the Director for Finance.

Official orders must be in a form approved by the Executive Director for Finance.

Orders must not be raised for any personal or private purchases; nor must personal or private use be made of Council contracts.

Official orders must be raised via one of the Council's valid Purchase to Pay systems and issued to the supplier prior to receipt of goods or services or commencement of works. The only exceptions are for periodic payments such as rent or rates, petty cash purchases or Purchase Card purchases.

All new Purchase to Pay systems (including p2p modules within line of business systems) must be approved by the Executive Director for Finance.

Orders for works, goods and services must be raised and authorised by officers designated by the relevant Executive Directors. Executive Directors will ensure that only those staff authorised approve orders, and will maintain an up-to-date list of those staff, identifying in each case the limits of their authority. This list shall be provided to the Executive Director for Finance.

The authoriser of an order must be satisfied that the works, goods and services ordered are appropriate and needed, that there is adequate budgetary provision and that quotations or tenders have been obtained, if necessary, in accordance with the Procurement and Contract Procedure Rules.

Best value principles should underpin the Council's approach to procurement and Executive Directors have a responsibility to ensure, and be able to demonstrate, value for money in all their procurement activities. This can be achieved by:

- (i) Comparing performance with other local authorities and providers of similar services.
- (ii) Tackling areas of unintended high spending.
- (iii) Delivering a sustained track record of improved outcomes for service users.
- (iv) Achievement of efficiency targets.

Adopting a best practice approach to procurement is an essential component of delivering value for money, Executive Directors must therefore ensure there is compliance with the Council's [Procurement Policies and Procedures](#) . This will include the use of all mandated contracts via valid purchase to pay systems.

8.2.3. Receipt of works, goods and services

Works, goods and services must be checked upon receipt to ensure they are in accordance with the order. Wherever possible, goods should not be received by the person who approved the order.

If the works, goods or services have been obtained using a Purchase Card, it is the cardholder's responsibility to ensure that clear, complete and accurate scanned images of receipts are obtained, including VAT receipts for every transaction (where appropriate). For further guidance and information, please refer to the ECC [Purchase Card policy](#).

If purchased via Marketplace, the receipt of works, goods and services must be recorded against the original purchase order, prior to receipt of an invoice in order to provide an approval to pay for works, goods and services received by the authority. The Marketplace system will automatically match invoices that are received electronically and payments will be made provided the works, goods/services have been receipted appropriately on the Marketplace system by a valid user of the system with appropriate access.

Where appropriate, inventory or stores records should also be updated.

8.2.4. Payment of suppliers

The Executive Director for Finance will make payments from the Council's funds upon the receipt of proper original, certified copy or valid electronic VAT invoices that have been checked, coded and certified by the Service, confirming:

- (i) The receipt of goods or services to the correct price, quantity and quality standards.
- (ii) That the invoice has not previously been paid.
- (iii) That expenditure has been properly incurred and is within budget provision.
- (iv) That prices and arithmetic are correct and accord with quotations, tenders, contracts or catalogue prices.
- (v) That discounts have been taken where available.
- (vi) The correct accounting treatment of tax.
- (vii) That the invoice is correctly coded.
- (viii) That appropriate entries will be made in accounting records.

If the transaction has been made via a Purchase Card, please refer to the ECC [Purchase Card policy](#) for further details.

If purchased via Marketplace payments will only be made where a valid (Marketplace) purchase order number is quoted on the suppliers' invoice. Invoices received which do not quote an approved purchase order number are not valid and will be returned to the supplier unpaid.

Payments to creditors will be made as soon as possible within agreed payment terms, in order to avoid late payment charges under the Late Payment of Commercial Debts (Interest) Act 1998.

Any invoice in dispute with a supplier must be clearly identified and processed in accordance with guidance issued by the Executive Director for Finance.

For transactions other than those processed via Marketplace, a different officer from the person checking an invoice must authorise the payment.

Payments in advance of works, services / goods delivery must not be made except in exceptional circumstances, and then only with the express approval of the Executive Director for Finance. This excludes purchases made via Purchase Card.

Executive Directors will notify the Executive Director for Finance immediately of any expenditure to be incurred as a result of statute/court order where there is no budgetary provision. In such cases, appropriate budget provision should be sought, either by way of a virement (see paragraph 4.3.3) or by way of a supplementary estimate (see paragraph 4.3.4).

Apart from petty cash, schools' own bank accounts and other payments from advance accounts, the normal method of payment from the Council shall be direct into suppliers' bank accounts via BACS or Purchase Cards. In exceptional circumstances, where suppliers are unable to accept payment via BACS, cheques will be issued by the Executive Director for Finance. The use of direct debits to make payments will require the prior agreement of the Executive Director for Finance.

All appropriate evidence of the transaction and payment documents will be retained and stored in accordance with the Council's [document retention policy and schedule](#).

Executive Directors must notify the Executive Director for Finance of outstanding expenditure relating to the previous financial year as soon as possible after 31 March in line with the timetable for closure of the accounts determined by the Executive Director for Finance.

8.2.5. Contracts for construction and alterations to buildings / civil engineering works

The systems and procedures for dealing with the financial aspects of contracts for construction and alterations to buildings and for civil engineering works must be agreed with the Executive Director for Finance. This will include the systems and procedures for the certification of interim and final payments, checking, recording and authorising payments, for monitoring and controlling capital schemes and the procedures for validation of subcontractors' tax status.

8.3. Contracts

8.3.1. Procurement

All contracts should be awarded in accordance with the Council's [Procurement Policies and Procedures](#). Master copies of contracts must be held within the central location for the retention of contracts within the Records Office. All new contracts must also be recorded in the corporate contracts register in accordance with the Procurement Policies and Procedures.

8.3.2. Monitoring of performance

All contracts should include applicable performance indicators. Contract managers are responsible for monitoring achievement against the performance indicators and invoking service credits where applicable. In addition, contract managers should regularly review the validity of contractor performance information supplied to identify error and/or misrepresentation.

8.3.3. Financial appraisal

All potential tenderers for contracts valued at **£50,000** or more should complete a pre-qualification questionnaire in accordance with the Procurement Policies and Procedures and provide copies of their accounts for the last one to three financial years (where available). In some cases contract valued at less than £50,000 may be considered as medium risk, which would require the completion of a PQQ. Further guidance is available in the [Procurement Policies and Procedures](#).

The financial appraisal of the relevant organisations will be undertaken in accordance with the methodology determined by the Executive Director for Finance.

8.4. Payments to Employees and Members

8.4.1. Salaries

Staff appointments will be made in accordance with the Council's [Recruitment Guidance](#) and approved establishments, grades and scales of pay.

The Executive Director for Transformation and Executive Director for Finance and will be notified of all appointments, terminations or variations that may affect the pay or pension of an employee or former employee, in the form and to the timescale required by the Executive Director for Transformation and Executive Director for Finance .

All appropriate payroll documents must be retained and stored for the defined period in accordance with the Council's [document retention policy and schedule](#).

The Executive Director for Transformation is responsible for all payments of salaries and overtime to staff, with the exception of those in foundation schools. The Executive Director for Transformation will therefore:

- (i) Arrange and control secure and reliable payment of salaries, wages, compensation or other emoluments to existing and former employees, in accordance with prescribed procedures, on the due date.
- (ii) Record and make arrangements for the accurate and timely payment of tax, pensions and other deductions.

Schools have the delegated power to procure their payroll function from any suitable supplier. All oother services will use the Council's payroll service.

The Executive Director for Finance is responsible for ensuring there are adequate arrangements for administering pension matters on a day-to-day basis.

Executive Directors must ensure that adequate and effective systems and procedures are operated, so that:

- (i) Payments are only made to bona fide employees.

- (ii) Payments are only made where there is a valid entitlement.
- (iii) Conditions and contracts of employment are correctly applied.
- (iv) Employees' names listed on the payroll are checked at regular intervals to verify accuracy and completeness.

Executive Directors will provide an up-to-date list of the names of officers authorised to sign records to the Executive Director for Finance together with specimen signatures.

The Executive Director for Finance and Executive Director for Transformation will advise upon the employment status of individuals employed on a self-employed consultant or sub-contract basis.

8.4.2. Allowances

The Executive Director for Transformation is responsible for the payment of allowances to staff and Members, and will therefore make arrangements for paying:

- All authorised travel and subsistence claims and for ensuring all details of taxable allowances and benefits are accounted for, recorded and returned, where appropriate, to HM Revenue and Customs.
- Members' travel or other allowances upon receipt of authorised claims.

Councillor's expenses must be claimed in accordance with the provisions set out in the [Members Allowance Scheme](#) and the following process approved by Full Council:

1. All claims are submitted via e payroll to the Governance Team for review and checking against the Allowance Scheme, ensuring that claims are for approved duties and receipts are provided for all expenses, including fuel VAT receipts where mileage is claimed (unless the Councillor is registered for VAT).
2. Any resulting queries are referred back to the councillor for clarification.
3. Providing claims are submitted in accordance with the Allowance Scheme, those submitted by Cabinet Members and the Chairman and Vice-Chairman of the Council are forwarded to the Executive Director for Finance for approval; all others are approved by the Governance Team.

Certification of travel and subsistence claims is taken to mean that journeys were authorised and expenses properly and necessarily incurred for business purposes, and that allowances are properly payable by the Council, ensuring that cost-effective use of travel arrangements is achieved. Further guidance can be obtained from the [Travel and Subsistence Policy](#).

Details of any employee benefits in kind must be notified to the Executive Director for Transformation to enable full and complete reporting within the income tax self-assessment system.

Due consideration should be given to tax implications, ensuring that advice is sought and the Executive Director for Transformation is informed where appropriate.

8.4.3. Ex-gratia payments

Executive Directors may make [ex-gratia payments](#) to staff subject to obtaining approval, as follows:

| Approval required | Amount of ex-gratia payment | | | |
|---|-----------------------------|--------------------------------------|---------------------------------------|----------------------|
| | Up to £1,000 | In excess of £1,000 and up to £6,000 | In excess of £6,000 and up to £10,000 | In excess of £10,000 |
| Head of Service | ✓ | ✓ | ✓ | ✓ |
| Executive Directors | ✗ | ✓ | ✓ | ✓ |
| Executive Director for Finance | ✗ | ✓ | ✓ | ✓ |
| Service Cabinet Member | ✗ | ✗ | ✓ | ✓ |
| Deputy Leader and Cabinet Member for Finance and the Transformation Programme | ✗ | ✗ | ✗ | ✓ |

The circumstances of the proposed payment must not have the effect of circumventing other Council pay and allowance policies, tax rules or other legislation.

8.5. Taxation

The Executive Director for Finance and Executive Director for Transformation are responsible for advising Executive Directors, in the light of guidance issued by appropriate bodies and relevant legislation as it applies, on all taxation issues that affect the Council. They will also maintain the Council's tax records, make all tax payments, receive tax credits and submit tax returns by their due date as appropriate.

Executive Directors will:

- (i) 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.
- (ii) Ensure that, where construction and maintenance works are undertaken, the sub-contractor fulfils the necessary construction industry tax scheme requirements (as set out within the Construction Industry Scheme guidance issued by the Executive Director for Transformation).
- (iii) 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 for Council purposes, or are employed by a recognised staff agency. Guidance issued by the Executive Director for Transformation on fee payments to consultants, individuals or partners must be complied with.
- (iv) Follow the guidance on VAT issued by the Executive Director for Finance.

8.6. Emergency Payments

Emergency payments can only be made in extenuating circumstances with the following approval:

| Approval required | Amount of emergency payment | | |
|---|-----------------------------|------------------------------------|------------------|
| | Up to £50,000 | In excess of £50,000 and up to £1m | In excess of £1m |
| Service Director | ✓ | ✓ | ✓ |
| Any two of the following: <ul style="list-style-type: none"> Executive Directors Chief Executive Executive Director for Finance | x | ✓ | ✓ |
| Deputy Leader and Cabinet Member for Finance and the Transformation Programme (after consultation with the Service Cabinet Member and the Executive Director for Finance) | x | x | ✓ |

Emergency payments are those arising from legal cases, civil emergencies or natural disasters such as flooding. They relate to unforeseen circumstances where budget provision has not been made and the payment cannot be covered within the relevant service's existing budget. Details of emergency payments made within the financial year will be reported to the Cabinet

8.7. Transparency

To provide transparency in its stewardship of public funds the Council makes information available to the public in relation to spending on items in excess of £500. This information is available via the Council's [ECC Spending Information](#) website, which is updated monthly.

9. External Arrangements

9.1. Partnerships

9.1.1. Forming of partnerships

Partnerships include any arrangements where the Council agrees to undertake, part fund or participate in a project with other bodies; either as a beneficiary of the project, or because the nature or status of the project gives the Council a right or obligation to support the project. It is important to understand the distinction between a partnership in this context and a supplier who the Council may refer to as a ‘partner’ due to the status that the Council has contractually awarded to it. The Council’s Procurement Policies and Procedures shall apply to supplier relationships.

The approval of both the Executive Director for Finance and the Monitoring Officer must be obtained prior to the Council entering into any contractual partnership arrangements; this is to ensure that the legal status and basis for providing financial contributions are clearly established, to ensure that the Council’s financial reporting requirements are understood and can be satisfied and, finally, that the financial and corporate governance arrangements in place for the partnership are satisfactory. A partnership agreement must be produced that documents each of these matters, and the arrangements for dispute resolution and for exiting the arrangement.

Non contractual partnerships are working arrangements between the Council and one or more other parties. They might take the form of a regular meeting to agree common policy, strategy or practice for all partners to follow as the basis for their own practice. They might also directly control resources provided by the Council and other partners. An essential feature of a non-contractual partnership is having Council input into key decisions.

The Cabinet is responsible for approving delegations and frameworks for all partnerships. The delegation of functions to officers is set out within the scheme of delegation that forms part of the Council’s Constitution.

9.1.2. Operation of partnerships

Executive Directors will ensure that partnership agreements and arrangements do not impact adversely upon the services provided by the Council. Additionally, they must undertake a risk management appraisal of proposed new partnership arrangements for the Executive Director for Finance that demonstrates that the risks associated with the arrangement are minimal.

9.1.3. Funding of partnership projects

The Executive Director for Finance will advise upon the key elements of funding a partnership project (including an appraisal of the financial viability of the arrangement, risk appraisal and management, audit, security and control requirements and taxation issues).

9.1.4. Delegation of budget to a non contractual partnership

Approval is required to delegate budgets to a non contractual partnership as follows:

| Approval required | Amount of budget delegated | | | |
|---|----------------------------|---------------------------------------|--------------------------------|---------------------|
| | Up to £50,000 | Between £50,000 and £200,000 | Between £200,000 and £2m | In excess of £2m |
| Head of Service | ✓ | ✓ | ✓ | ✓ |
| Executive Directors | ✗ | ✓ | ✓ | ✓ |
| Service Cabinet Member | ✗ | ✗ | ✓ | ✓ |
| Deputy Leader and Cabinet Member for Finance and the Transformation Programme (in consultation with the Service Cabinet Member) | ✗ | ✗ | ✗ | ✓ |

9.1.5. Financial administration

The Executive Director for Finance is responsible for promoting and maintaining the same high standards of conduct with regard to financial administration in partnerships that apply throughout the Council, and will therefore ensure that the accounting arrangements to be adopted for partnerships and joint ventures are satisfactory.

The terms of reference for each partnership must establish clearly the responsibilities of the respective partners for managing the resources of the partnership. They will also set out the arrangements in respect of unspent partnership funding at each year end.

Executive Directors will provide information on the partnership arrangements to the Executive Director for Finance, in order that the appropriate disclosures can be made within the Council's annual Statement of Accounts.

9.1.6. Documenting and recording of partnership agreements

Executive Directors must ensure that all partnership agreements and arrangements are properly documented, and a register of those contracts must be maintained in accordance with procedures specified by the Executive Director for Finance.

9.1.7. Representing the Council

Executive Directors will ensure that the Council is appropriately represented at partnership meetings.

9.2. Commissioning

The Council's Target Operating Models focus the Council as a commissioner, with a core commissioning function within and across the directorates.

Commissioning is the process of ensuring that services are provided effectively and that they meet the needs of the population. Commissioning is an ongoing process which applies to all services, and seeks to ensure that value for money is secured in providing outcomes for taxpayers and service users. It ranges from assessing local population needs, prioritising outcomes, procuring products and services to achieve those outcomes and supporting service providers to enable them to deliver outcomes for individual service users.

The commissioning process involves a cycle of activities including:

- assessing the needs of a population;
- setting priorities and developing commissioning strategies to meet those needs in line with local and national targets;
- securing services from providers to meet those needs and targets;
- monitoring and evaluating outcomes, with clear performance indicators and measures; and
- the above combined with an explicit requirement to consult and involve a range of stakeholders and service users in the process.

9.2.1. Outcomes

The desirable outcomes to be achieved through the provision of services need to be clearly defined with particular emphasis on the following:

A clear definition of the outcomes to be achieved, the impact on service users and communities is critical in ensuring that the commissioning process runs smoothly and effectively. To provide a clear basis for considering commissioning options, the outcomes should be SMART.

- i. Performance measures against which the quality of outcomes will be measured need to be clearly identified
- ii. Performance indicators should be both financial and non-financial.
- iii. Value for money considerations should be part of this process to ensure the optimal use of resources to achieve the intended outcomes.

Becoming a commissioning-led organisation has the following implications:

- The commissioning core in Essex will focus on commissioning against strategic outcomes and will increasingly organise budgets and funding around outcomes rather than specific services
- The commissioning core will be accountable for the totality of the Council's spend and strategic outcomes
- Commissioners will require specialist advice and support from all key stakeholders within the Council, including Finance, throughout the four stages of the commissioning lifecycle (Analyse, Plan, Do, Review) to ensure all financial implications from commissioning decisions are known and visible and that spend on outcomes is monitored and offers value for money
- Joint commissioning both internally and externally with partners will require pooling of budgets and clear financial management accountabilities

- All service delivery will be commissioned regardless of whether they are delivered by retained services within the Council or through an alternative delivery vehicle
- All service delivery (retained or otherwise) will report on the achievement of defined outcomes and key performance indicators to the commissioning core

9.2.2. Delivery Vehicles

Following the above considerations the Council may choose to deliver services through a number of Alternative Delivery Vehicles (ADV), which include the following:

- i. Local Authority Trading Company (LATC), which can be a separate corporate entity under the companies act. An LATC can trade for profit in functionally related areas, but cannot trade in statutory activities. It also has the ability to trade with both public and private bodies. In such arrangements the Council can hold shares in the LATC along with private sector organisations and employees of the Council.
- ii. Outsourcing can be carried out with a contractual arrangement between the Council and a private provider for the delivery of an agreed service. The outsourced provider can charge its customers and make a profit .
- iii. Licensing can be done via a contractual arrangement between the Council and a private provider using the Council's intellectual property or infrastructure. For these arrangements the licensee is able to generate a profit, which can be paid to the Council
- iv. Joint Ventures can be set up as separate corporate entities under the Companies Act or via contractual agreement joining two or more parties for the purpose of executing a business undertaking. It is able to trade for profit if set up as separate corporate entity and shares are typically held by 2 -3 investors.
- v. Charitable Company is a corporate entity, which is regulated by the Charities Commission. Although shares can be held by different parties no dividend is payable as any surplus is reinvested in the company.
- vi. Co-operative model trades for the mutual benefit of members only and is owned and operated by its members. Surplus generated are reinvested in the co-operative for the benefit of the members or activities approved by the membership
- vii. Social Enterprises are businesses trading for social and environmental purposes. Social enterprises are distinctive because their social and/or environmental purpose is absolutely central to what they do - their profits are reinvested to sustain and further their mission for positive change.
- viii. Payment by results provides a clear link between performance and payments and can be used to secure value for money in the provision of services to service users.
- ix. S256 agreements between the NHS and social care can be used to commission services to ensure best outcomes for service users by the pooling of resources.
- x. Community budgets can be used as a means of facilitating joint working in the provision of services
- xi. Internal commissioning may be identified as the best option for services

Financial justification is required to show due diligence has been taken in the development of commissioning strategies and alternative delivery vehicle proposals:

- Commissioners are required to set out a financial appraisal of the solutions they need to commission as part of a commissioning strategy
- Heads of service delivery are required to set out a financial appraisal of proposed delivery vehicle options for their service in a business case.

9.2.3. Business Cases for alternative delivery vehicles

The development of a business case is a key part of governance and it should be robust enough to support the planning and decision-making process.

The options being considered should be clearly identified and measured against the desired outcomes. The business case should be formulated using the Council's business case templates and should set out whether there is a clear statutory basis for the provision of the service or engaging in the activity being considered. The business case should include the following considerations:

- (i) HR - engagement with HR Business Partner and identification of the potential impact of the options on staffing arrangements
- (ii) Legal – specialist advice should be sought from Legal Services
- (iii) Finance – financial implications of all the options being considered should be included in the business case. Relevant Financial Analysts and Business Partners should be engaged with formulating the business case
- (iv) Budget requirements for the current and succeeding financial years and funding source
- (v) Equality Impact Assessment
- (vi) Implications of EU and other procurement law on the award of the contract or service delivery agreement
- (vii) Pension – specialist advice should be sought
- (viii) Tax implications of the various options under consideration
- (ix) Consideration of partnership options with other Councils or partners

Executive Directors are responsible for ensuring that the Council's governance process is followed through all stages of the decision making process and that specialist advice is sought and obtained from the following key stakeholders across the Council, at all stages in the development of the business case:

- (i) Transformation Support Unit
- (ii) Human Resources

- (iii) Finance – this includes Finance Professional Services, Legal Services, Pensions, Internal Audit and Procurement
- (iv) Essex Property and Facilities - (where relevant)

Whilst Executive Directors may engage in initial discussions with potential providers, they are also responsible for ensuring that the approval of the Cabinet is obtained before any contract negotiations are entered into, and that all agreements and arrangements are properly documented

The Cabinet is responsible for approving the Council's participation in all significant partnerships / joint working arrangements with other local public, private, voluntary and community sector organisations.

Executive Directors following advice provided by the Executive Director for Transformation and the Executive Director for Finance should advise the Cabinet on the key elements of arrangements for commissioned services as follows:

- (i) The financial roles and responsibilities of the Council's officers (across all directorates) and members with respect to the monitoring of the ADV
- (ii) Appraisal of financial and non-financial risks with mitigation plans. The reputational impact of failure to deliver services should be considered with clear plans on how this would be addressed. Financial risks should be clearly quantified and where mitigation involves the setting aside of a contingency, this should be clearly identified along with the funding source / budget.
- (iii) A comprehensive list of all financial commitments the Council has entered into as a result of the arms length delivery vehicle.
- (iv) Governance arrangements will be clearly set out and membership of relevant decision making boards will be required. This should stipulate how reviews will be carried out to ensure that the services provided remain aligned to those of the Council.
- (v) Performance measurement arrangements; both annual and ongoing will be clearly stated and be based on advice from the Council's contract management team. Qualitative and quantitative performance monitoring is required and should be SMART.
- (vi) Exit arrangements should be clearly identified to cover when the Council may be required to step in and provide services in the event of non-delivery by the arms length vehicle.
- (vii) Resourcing implication (including taxation issues) should be clearly stated. Where Council assets have transferred to the delivery vehicle this should be clearly stated to safeguard their title and use.
- (viii) How considerations with regard to equality, sustainability, recruitment and employment practices, data handling and protection, freedom of information principles, standards and behaviour and arrangements for engaging with citizens and service users are aligned to the Council's legal requirements and

policies. It should be clearly stated where departure from these has been agreed to provide freedom and flexibilities to the ADV.

- (ix) Audit requirements (both internal and external) and arrangements for the Council's auditors, where relevant, to have access to information
- (x) Arrangements for providing information required for the Council's Statement of Accounts to the Executive Director for Finance.
- (xi) Dividend policy - Dividend received from subsidiaries of the Council will not be automatically treated as income to service budgets but will be presented to the Cabinet Member for Finance and the Transformation Programme for consideration.

Additionally, when a delivery vehicle is set up a dividend policy must be agreed in advance. This should include the process for decisions regarding retained profit and dividend, as well as a timetable for the payment of dividend to shareholders. The treatment of any losses arising at the end of the financial year will also be clearly stated within the terms of the agreement.

9.3. External Funding

9.3.1. Funding conditions

External funding is an important source of income to the Council, but funding conditions need to be carefully considered prior to entering into agreements to ensure that they are compatible with the aims and objectives of the Council, the necessary procedures are in place to meet funding conditions and reporting requirements, and appropriate budget provision is available. This also applies to schemes where the Council is required to provide funding for projects. All external funding bids must go through the Essex Funding team. Details of the bid process are available [via this link](#)

9.3.2. Accounting for external funding

The Executive Director for Finance and Executive Directors must, as appropriate, ensure that all funding notified by external bodies is received and properly recorded in the Council's accounts. This will include ensuring that claims for funding are made by the due date, and in accordance with the funding conditions and any accounting instructions issued by the Executive Director for Finance.

9.3.3. External funding claims

The Executive Director for Finance and Executive Directors must, as appropriate, satisfy audit requirements in respect of external funding claims. This includes maintaining appropriate records that accord with the funding conditions, and making these available to the auditors as required.

9.3.4. Third party expenditure

Sometimes, grant funding awarded to the Council may be passed to an organisation falling outside of the direct responsibility of the Council. The Council will however remain the accountable body for the grant funding and, as such, will be responsible for ensuring that all of the terms of the grant are met.

The Executive Director for the grant must ensure that effective monitoring procedures have been put in place to provide assurances over the eligibility of expenditure incurred by the third party. Upon audit, if the eligibility of third party expenditure cannot be proved by the Council, the Council will itself be required to return the grant funding to the awarding body.

9.4. Work by the Council for Third Parties

9.4.1. Approval to contractual arrangements

Work can only be undertaken for third parties if the Council has the legal powers to undertake the work.

Executive Directors are responsible for approving the contractual arrangements for any work undertaken by their services for third parties or external bodies.

Executive Directors will ensure that the appropriate expertise exists to undertake a contract.

9.4.2. Financial aspects of third party contracts

Executive Directors will comply with any guidance issued by the Executive Director for Finance with regard to the financial aspects of third party contracts, and will ensure that the appropriate insurance arrangements are made.

No contract will adversely impact upon the services provided by the Council, nor subject the Council to exposure to the risk from bad debts.

The Council will recover all costs arising from the provision of services to a third party and will not subsidise a contract.

The council may wish to consider whether it would be feasible and appropriate to recover more than just costs and, for example, to make a profit. In such cases, detailed legal and financial advice will be required and the case for generating a profit would need to be supported by a detailed business case outlining the risks and potential benefits of such a proposal.

Wherever possible, payment will be received in advance of the delivery of the service.

9.4.3. Documenting and recording contracts

All contracts will be properly documented, and a register will be maintained of those contracts.

Executive Directors will provide information on the contractual arrangements to the Executive Director for Finance, in order that the appropriate disclosures can be made within the Council's annual statement of accounts.

10. Financial Limits

10.1. General

Throughout these regulations, there are various financial limits. These limits have been brought together in this section, for ease of reference.

10.2. Revenue budget virements

10.2.1. Virements

Virements may be exercised, subject to obtaining the relevant approval, as follows:

| Amount of virement (£) | Required signatories to authorise virement | | | | | |
|--|--|------------------|-----------------------|------------------------|--------------------------------|---|
| | Operational budget holder | Heads of Service | Executive Director(s) | Service Cabinet Member | Executive Director for Finance | Cabinet Member for Finance and the Transformation Programme |
| Virements within the same portfolio | | | | | | |
| Up to £100,000 | ✓ | x | x | x | x | x |
| In excess of £100,000 and up to £250,000 | ✓ | ✓ | x | x | x | x |
| In excess of £250,000 | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Virements between portfolios | | | | | | |
| Up to £250,000 | ✓ | ✓ | ✓ | ✓ | x | x |
| In excess of £250,000 | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |

10.2.2. Virements between portfolios (trading activities)

Any proposals to transfer part of a trading activity's reserves to finance expenditure by a Service or to make a contribution from a Service to a trading activity, require the prior approval of the Deputy Leader and Cabinet Member for Finance and the Transformation Programme, after consultation with the relevant Executive Directors, the Executive Director for Finance and the relevant Service Cabinet Members.

10.3. Capital expenditure

The Council applies various de-minimis limits below which items that meet the definition of capital expenditure will be charged to revenue rather than capital on the grounds of materiality. The limits are as follows:

| De-minimis limits | £ |
|--|---------------|
| General limit (to be applied where no specific limit is applicable) | 10,000 |
| Specific limits | |
| ▪ Trading activities | 6,000 |
| ▪ Schools' capital projects funded or supported by Formula Capital Grants | 2,000 |
| ▪ Highways infrastructure | Nil |
| ▪ Land | Nil |

10.4. Contract costs

All potential tenderers for contracts valued at **£50,000** or more should complete a Pre-Qualification Questionnaire.

10.5. Declaring assets surplus to requirements

The approval required to declare land surplus to requirements is as follows:

| Approval required | Value of land / buildings surplus to requirements | |
|--|---|----------------------|
| | Up to £50,000 | In excess of £50,000 |
| Executive Director for Environment Sustainability and Highways | ✓ | ✓ |
| Cabinet Member for Procurement, Property and Major Projects | ✗ | ✓ |

10.6. Write off of stock

The approval required to write off stock balances per annum is as follows:

| Approval required | Value of stock write off per annum | | |
|--------------------------------|------------------------------------|--|----------------------|
| | Up to £10,000 | In excess of £10,000 and up to £20,000 | In excess of £20,000 |
| Executive Directors | ✓ | ✓ | ✓ |
| Executive Director for Finance | ✗ | ✓ | ✓ |
| Service Cabinet Member | ✗ | ✗ | ✓ |

10.7. Acceptance of cash payments

The acceptance of cash payments of greater than **£10,000** is prohibited.

10.8. Bad debts

The approval required to write off bad debts is as follows:

| Approval required | Amount of debt write off | | |
|--------------------------------|--------------------------|--|----------------------|
| | Up to £10,000 | In excess of £10,000 and up to £50,000 | In excess of £50,000 |
| Head of Service | ✓ | ✓ | ✓ |
| Executive Directors | ✗ | ✓ | ✓ |
| Executive Director for Finance | ✗ | ✓ | ✓ |
| Service Cabinet Member | ✗ | ✗ | ✓ |

All debt write-offs of up to the **£50,000** threshold must be reported to the Service Cabinet Member.

10.9. Ex-gratia payments

The approval required to make ex-gratia payments to staff is summarised as follows:

| Approval required | Amount of ex-gratia payment | | | |
|---|-----------------------------|--------------------------------------|---------------------------------------|----------------------|
| | Up to £1,000 | In excess of £1,000 and up to £6,000 | In excess of £6,000 and up to £10,000 | In excess of £10,000 |
| Head of Service | ✓ | ✓ | ✓ | ✓ |
| Executive Directors | ✗ | ✓ | ✓ | ✓ |
| Executive Director for Finance | ✗ | ✓ | ✓ | ✓ |
| Service Cabinet Member | ✗ | ✗ | ✓ | ✓ |
| Deputy Leader and Cabinet Member for Finance and the Transformation Programme | ✗ | ✗ | ✗ | ✓ |

10.10. Emergency Payments

The following approval is required to make emergency payments. In addition the Constitution gives the Head of Paid Service the authority to incur expenditure in the event of a civil emergency including payments over £500,000

| Approval required | Amount of ex-gratia payment | | |
|---|-----------------------------|------------------------------------|------------------|
| | Up to £50,000 | In excess of £50,000 and up to £1m | In excess of £1m |
| Service Director | ✓ | ✓ | ✓ |
| Any two of the following: <ul style="list-style-type: none"> Executive Directors Chief Executive Executive Director for Finance | x | ✓ | ✓ |
| Deputy Leader and Cabinet Member for Finance and the Transformation Programme (after consultation with the Service Cabinet Member and the Executive Director for Finance) | x | x | ✓ |

10.11. Delegation of budget to a non contractual partnership

Approval is required to delegate budgets to a non contractual partnership as follows:

| Approval required | Amount of budget delegated | | | |
|--|----------------------------|---------------------------------------|--------------------------------|---------------------|
| | Up to £50,000 | Between £50,000 and £200,000 | Between £200,000 and £2m | In excess of £2m |
| Head of Service | ✓ | ✓ | ✓ | ✓ |
| Executive Directors | ✗ | ✓ | ✓ | ✓ |
| Service Cabinet Member | ✗ | ✗ | ✓ | ✓ |
| Deputy Leader and Cabinet Member for Finance and the Transformation Programme (in consultation with the Service Cabinet Member) | ✗ | ✗ | ✗ | ✓ |

11. Other key policies and documents

11.1. Introduction

The Financial Regulations should be read and used in conjunction with the Council's other policy documents and guidance. For ease of reference, links to the key documents and guidance are listed below:

11.2. Human Resources

- [HR Guidance - Working Here](#)

11.3. Information Technology

- [Corporate retention policy and schedule](#)
- [Head of IS approval](#)
 - [HOIS approval process guidance](#)
 - [HOIS approval checklists](#)
 - [Go Live sign off template](#)
- [Information handling and security.](#)
- [Information security and communication policy](#)

11.4. Procurement

- [Marketplace](#)
- [Procurement Policies and Procedures](#)
- [VAT Manual](#)
- [Travel and Subsistence Policy.](#)

11.5. Project governance

- [Programme and Project Governance](#)

11.6. Regulatory framework

- [Anti fraud and corruption](#)
 - [Anti fraud and corruption policy](#)
 - [Fraud response plan for managers](#)
- [Anti-money laundering policy](#)
- [Business continuity](#)
- [Codes of conduct \(Officers and Members\)](#)
- [Constitution](#)
- [Risk Management Policy and Strategy](#)
- [Scheme of delegation for Financial Management](#)
- [Whistle blowing policy](#)
- [Declaration of Interests Policy](#)
- [Gifts and Hospitality](#)
- [Anti Bribery Policy](#)
- [Members Allowance Scheme](#)