

Financial Regulations Practice Notes

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Practice Note 1 - Assets

1. This guidance is in relation to the following:-

- Property, plant and equipment either owned, leased, hired or rented by the Council or from the Council
- Assets on loan to the Council (e.g. heritage assets) or from the Council
- Goods and materials held by the Council
- Cash held
- NB Digital Services determine the inventory, disposal and security processes for software and data, this note does not cover those issues. The acquisition of software is governed by financial procedures and requires consultation with digital services.

2. Outcomes to be achieved

- All assets must be kept securely, and ensure their use is legal, properly authorised and provides value for money.
- The following databases should be kept up to date and reviewed annually to reflect changes in assets.
 - Asset register - held corporately and provides information in relation to non-current assets such as land, property and larger items of equipment, vehicles, plant and machinery. These will have been acquired with capital resources. This is held by accountancy and they should be notified of changes.
 - Leased and Hired assets (Right-of-use) register – held corporately and provides information in relation to those assets leased, hired or rented by the Council. This is held by accountancy and they should be notified of any changes.
 - Service inventories - maintained within the individual service areas and provide a list of smaller, less expensive items used to operate the service. These will have been acquired with revenue funding.
- Assets need to be acquired effectively making sure the Council has received value for money.
- All sensitive and privileged information is held securely and confidentially.

3. Key procedures to follow to achieve the above outcomes

- All Chief Officers must make sure that:

- Leasing, Hiring or Renting
 - Section 151 must be notified of any intention of a service to lease, hire or rent property, plant equipment and software. There are complex regulations regarding such arrangements and they need to be resolved before entering agreements.
- Land & Buildings
 - Lessees and other occupiers of land are not allowed to take possession of or enter the land until a lease or agreement has been entered into. The lease or agreement must be agreed with the Property Services Manager, Legal and Democratic Services Manager and discussed with the Accountancy Services Manager (S151 Officer); All title deeds are passed to the Legal and Democratic Services Manager for safe keeping and details entered on the Leased and Hired assets register.
- Plant, Equipment Vehicles, and Software
 - Rental or lease agreements cannot be entered into without discussion and authorisation of the Accountancy Services Manager (S151 Officer). This covers any hire or finance agreement with a length longer than 1 year.
 - All rental or lease agreements entered into must be notified to the Accountancy Services Manager.
- Personal Use of Assets :
 - No Council asset is used personally by an employee without getting permission from their Chief Officer before their personal use; that any use of property by a service or establishment other than for direct service delivery is supported by documents identifying the terms, responsibilities and period of use.
- Cash
 - Cash held is to be kept to a minimum; petty cash is kept in a safe place, the petty cash account is maintained and reconciled. The Accountancy Services Manager (S151 Officer) is provided with a year-end certificate.
- Stocks
 - Stocks of goods and materials are maintained at an appropriate level, reporting on any surplus or deficiency identified, for example, during stocktaking and provide the Accountancy Services Manager (S151 Officer) with the year-end certificates of stock held.
- Assets Security
 - All Council owned moveable property and equipment shall be prominently marked with the name of the Council. Items on lease may

be required to display the owner's name. Chief Officers must make sure that the owner's wishes are complied with (also see insurance practice note).

- The security of all buildings and other assets under their control; the safe keeping of vehicles, equipment, furniture, stock, stores, and other property either belonging to the Council; or leased, hired or rented by the Council consulting the Accountancy Services Manager (S151 Officer) in any case where security is thought to be defective, or where they think special security arrangements may be needed.
 - Carrying keys to safes, and similar receptacles on the person of those responsible at all times, the loss of safe keys must be reported to the Accountancy Services Manager (S151 Officer) as soon as possible.
 - Reporting promptly the theft of any of our assets to the Procurement and Risk Services Manager.
 - Keeping an up-to-date list (inventory) of all material items of plant and equipment for their service.
 - They contact the Procurement and Risk Services Manager to make certain that all items are insured against damage, loss and theft (see practice note 6 Insurance and Risk Management).
 - Building surveys are undertaken to ensure that security measures such as CCTV and alarm systems are maintained and effective.
- Asset Disposal
 - Try to achieve best value on the disposal of surplus or redundant assets by seeking, where appropriate, advice from purchasing advisors on their disposal and by making the disposal process as open and competitive as possible.
 - They record all disposals, or part exchanges of assets. The disposal or part exchange should normally be by competitive tender or public auction, unless, after discussion with the Accountancy Services Manager (S151 Officer), Cabinet agrees otherwise.
 - Notify the Accountancy Services Manager (S151 Officer) that a sale has taken place so that the asset database can be updated or update their own service inventory.
 - Make sure that assets leased, hired or rented are returned in accordance with the terms of the agreements.
 - Leases, Hire Contracts and Rental Agreements
 - Ensure budgets are in place before the leasing review is undertaken and informal quotations are suggested in line with procurement practices.

- Consult with Accountancy Services regarding all new leases, hire contract and rental agreements so that a cost benefit analysis can be undertaken to evaluate the best funding method. The analysis will take into account qualitative factors as well as financial factors. The S151 Officer will make the final decision as to whether the item will be leased.
 - Ensure that the Leased and Hired (Right-of-use) Assets Register is kept updated.
 - Inform Accountancy services if considering renewing or extending an existing lease, hire contract or rental agreement.
 - After sign off from the S151 Officer, the service can then proceed with raising the order within the financial system refer to practice note 4 for guidance on raising an order. Please check the coding with your capital accountant.
 - Make sure that the assets are maintained in accordance with the lease, hire contract or rental agreement and are they fully aware of the conditions in relation to the use of the asset and the return.
 - Make sure that the Procurement and Risk Services manager is informed of any insurance requirements.
- The Property Services Manager shall
 - Keep a database of property owned or used by the Council.
 - Keep information up to date in relation to each property and lease and notify the Accountancy Services manager of any changes to existing leases or new leases.
 - Maintain an up-to-date Asset Management Plan.
- The Procurement and Risk Services Manager shall
 - Inform the Capital Accountants in advance of all procurement involving a lease, hire contract or rental agreement.
- The Accountancy Services Manager (S151 Officer) shall
 - Make sure that the assets provide value for money by reviewing financing methods to ensure the best option is selected for the service and Council.
 - Make sure that an asset register is maintained in accordance with good practice for all fixed assets with a value over £10,000.
 - Receive the information required for accounting, costing, and financial records from each Chief Officer; make certain that assets are valued in accordance with current accounting requirements; and keep a database of property values owned or used by the Council.

- Will record those leases, hire contracts and rental agreements where they are longer than 365 days within a leasing list that will be kept by Accountancy Services (Leased and Hired assets register).
- Keep a database of all plant and machinery, and moveable assets owned or used by the Council purchased from capital funds.

Practice Note 2 - Fraud and Corruption

1. Outcomes to be achieved

- A basic understanding of:-
 - fraud and corruption;
 - how fraud and corruption can happen;
 - possible examples of fraud and corruption used by third parties and suppliers;
 - possible examples of employee behaviour that may indicate fraud;
 - the difference between fraud and error; and
 - how to report your concerns.

2. Key points to remember

- Definition of fraud
 - The deliberate distortion of financial statements or other records by anybody internal or external to the authority that is carried out to conceal the misappropriation of assets or otherwise for gain.
- Definition of Corruption
 - The offering, giving, soliciting or acceptance of an inducement or reward which may influence the action of any person.
- Fraud and corruption
 - Can arise by criminal or fraudulent activity, carelessness or incompetence resulting in records being in a state where it is difficult to find out if all assets can be accounted for.
- Possible examples of fraud and corruption used by third parties and suppliers where:
 - “Unusual” invoices from suppliers, possible duplicate invoices, invoices in advance of delivery of goods/services, invoices entering your name or organisation in an advertising journal, documents that are photocopied or lack essential information, manual adjustments, “free services”, “free trials” suspect wording “we agreed with you on the”, requests for bank details over the phone and Post office boxes as shipping or contact addresses.
 - Cyber-fraud risks: Officers must be alert to unusual correspondence from suppliers, by phone or email, especially where requests for a change of payment details or contact details are made – there have been examples

of fraudsters changing the correspondence email address and then some time later requesting a change to payment details.

- Employee behaviour that may possibly indicate fraud
 - Staff under stress without a high workload, first to arrive in the morning and last to leave at night, egotistical (e.g. scornful of system controls), a risk taker or rule breaker, reluctance to take leave, refusal of promotion, unexplained wealth, sudden change of lifestyle, new staff resigning quickly, cosy relationships with suppliers or contractors, suppliers or contractors who insist on dealing with only a particular member of staff, disgruntled at work, making unnecessary site visits, making longer visits than are necessary, a complainer who wants to beat the system, greedy, or is driven by genuine financial need.
- The difference between fraud and error
 - It is important to distinguish between an error and an irregularity. While we need to make sure the assets of the Council are protected, we also need to make sure we keep good working relationships with partners, suppliers and colleagues. Errors can be reduced by providing staff with clear objectives and instruction - and knowledge and training to do their jobs well. However, there is never any harm in double checking your concerns or asking a colleague for a second opinion.
- How to report your concerns
 - Immediately inform the Accountancy Services Manager (S151 Officer) and the Audit and Investigation Manager or follow the whistle blowing procedures to report suspicions of fraud or act of corruption.
 - The Accountancy Services Manager (S151 Officer) will inform the service Chief Officer where the fraud or act of corruption is suspected.

Practice Note 3 - Preparation of Budgets

1. Outcomes to be achieved

- The Council prepares a balanced budget (net expenditure is equal to council tax income) based on the latest information available.
- To identify and approve additional budgets that exceed the control budget or new capital schemes as agreed in the timetable.

2. Key procedures to follow to achieve the above outcomes

- Revenue and Capital Expenditure
 - Chief Officers responsibilities:
 - Prepare and submit revenue and capital budgets they are responsible for in line with the procedures and timetable agreed by Management Team and Cabinet.
 - Make sure the budgets submitted are consistent with our corporate objectives.
 - Make sure they provide adequate explanations for changes to the budgets to their service accountant or capital accountant.
 - Produce an evaluation report for Cabinet on any proposal that involves a material change in policy or has a large financial effect, where this is greater than the officer and cabinet member virement delegation.
 - Where existing service provision requirements change (even if a legal requirement) and the existing service budget is insufficient, then the service manager should advise accountancy. The service will then need to seek approval for a virement (budget transfer) or supplementary estimate where a liability is likely to occur which would cause expenditure to exceed the approved estimate (see Financial Rules – Appendix 1 Virements and Supplementary estimates.
 - Make sure that stakeholders have been consulted in the preparation of bids for resource for new capital schemes. A standard bid form can be obtained from accountancy.
 - Get approval from Cabinet or Full Council for all new capital schemes including the revenue implications of the schemes. Once the scheme is approved it will be included in our capital programme and the revenue implications will be included in the revenue budget.
 - Spend capital budgets in line with the delegation approved for the budget. This may include once a budget is approved a further business case going to cabinet or Council.

- The Section 151 Officer responsibilities are as follows:
 - Get Cabinet approval to the guidelines for the development of the revenue and capital scheme budgets.
 - Identify a five-year medium term financial forecast of capital and revenue expenditure and funding.
 - The overall co-ordination of the revenue and capital budgets.
 - Seek approval for increases in revenue expenditure over the approved budget, in discussion with the relevant Cabinet Member, and the Cabinet Member for Fairer Chelmsford.
 - Provide advice on the available funding options for the budget, for example advice on central government funding, options for borrowing or income generation.
 - Get Cabinet approval for the coming year's original revenue and capital budgets, identifying, where appropriate, the implications for the level of council tax to be levied and reviewing the robustness of the budget and the adequacy of reserves.

Practice Note 4 - Purchase Ordering, Invoice Payment & Procurement Cards

1. Outcomes to be achieved

- All purchases made by the Council must be good value for money.
- All payments made must be recorded and processed through the Council's Finance system to make sure the financial records are complete and accurate.
- Orders must be marked as receipted or part receipted on the Council's Finance system as soon as the goods or services are supplied, to make certain that creditors accruals can be clearly identified on the Council's Finance system.
- Goods receipts should not be performed in advance of the receipt of goods or services as this authorises payment to be made to the supplier.
- The correct allocation code(s) must be provided by the person raising the order before completing the authorisation process.
- All undisputed invoices must be paid in thirty days of receipt, with the exception of the Small, and Medium Enterprises (SME) supplier invoices where the payment must be within ten days of the receipt of the undisputed invoice from the supplier.
- Where the invoice amount is disputed, the invoice should be marked as 'HELD' on the Council's Finance system until the dispute is resolved to make sure the payment is delayed.
- Where VAT is to be recovered a VAT invoice must be obtained before any payment is made.
- VAT must be accounted for correctly. Where an invoice has an error on the VAT, a new invoice and a credit note for cancellation of the original invoice must be obtained from the supplier.

2. Key procedures to follow to achieve the above outcomes

- Chief Officers Responsibilities and those delegated by Chief Officers:
 - Notify the Accountancy Services Manager (S151 Officer) of the persons and their authorisation limits they have delegated to raise and authorise purchase orders or invoices in their area of responsibility.
 - Make sure the list of all officers delegated to authorise orders and their authorisation limit are made available to Officers via the intranet or on the financial system, and updated immediately to reflect any changes and sent to the Accountancy Services Manager (S151 Officer).

- Make sure all persons delegated to raise purchase orders, process invoices and authorise purchase orders and invoices in their area of responsibility have the level of knowledge and understanding needed to make certain they are capable of discharging their delegated duties in an effective manner.
- Make sure there is a clear segregation of duties in issuing and authorising purchase orders and processing invoices in their area of responsibility.
- Make sure the orders are marked as receipted or part receipted on the financial system as soon as the goods or services are supplied, subject to disputes.
- Make sure the orders are only marked as delivered on the Council's Finance system when the goods or services ordered are provided satisfactorily and that the delivery recorded on the Council's Finance system represents the correct proportion of the goods or services received.
- Outstanding orders are reviewed quarterly and removed from the Council's Finance system as appropriate.
- Ensure that procurement cards within their service are held and used only by the authorised officers, with appropriate monthly and transaction limits and that transactions are being reconciled regularly, that spend is appropriate and sufficient receipts retained to support VAT claims.
- Issuing Purchase Orders
 - Orders for the supply of goods or services and works must be issued before the supply.
 - An estimated date of goods delivery or period that the service is provided for should be included on all orders to support the management of order and year end commitment and accruals.
 - Ensure all orders are raised correctly and with sufficient line by line detail to enable accurate receipting and invoicing.
 - All orders and payment requests must be issued through the Council's Finance system.
 - Only place orders over the telephone or orally in exceptional circumstances. These must be confirmed by an official order as soon as possible and in any event no later than two working days. Such orders should be clearly marked 'Confirmation of Verbal Order'.
 - Do not enter into a lease, hire contract or rental agreement for example for the supply of vehicles, plant and equipment, without the approval of the Section 151 Officer

- Any purchase of IT hardware and software must be in line with the I.T. Procurement standard.
- The Procurement and Risk Manager must be notified, before any commitment is made, in excess of £25,000.
- Authorisation of Orders
 - The purpose of the authorisation of orders is to ensure that public money is being spent in line with corporate priorities and within the control environment set by the budget process, financial rules, scheme of delegation and the Council's procurement policies.
 - Authorisation is also a key part of the control environment to prevent fraud and error.
 - Only complete the authorisation process for orders that commit expenditure for the area of responsibility delegated to them by their Chief Officer. When the order is authorised, it may, once the goods or services are marked by the service as being received in a satisfactory condition, be paid without further discussion with the service.
 - Make sure the order being authorised is coded correctly and the individual lines on the order carry meaningful descriptions for goods or services being ordered.
 - Make sure the order being authorised
 - is necessary for service provision; and
 - processes have been followed to ensure it offers good value for money (is in line with the Council's Procurement policy).
 - Where a variation to the price or quantity of goods/service ordered is known in advance of receipt of the invoice, the service should amend the order and get the amendment authorised.
- Payment of Invoices
 - Invoices will only be paid where it is correctly formatted and there is an approved purchase order and relevant goods receipts.
 - Where an invoice exceeds the receipted or authorised amounts, Accounts Payable will refer the invoice back to the service to undertake appropriate checks and complete receipting or authorise the difference in expenditure.
 - Only complete the authorisation process for invoices that commit expenditure for the area of responsibility delegated to them by their Chief Officer.
 - Invoices must not be altered and in case of an error, a new invoice must be requested from the supplier.

- Only process invoices that are addressed to Chelmsford City Council (including the address) and show:
 - A unique invoice number
 - Name and address of the supplier
 - Vat registration number
 - Invoice Date
 - Tax point date (time of supply) if different from the invoice date
 - Description that is sufficient to identified the goods or services supplied
 - VAT rate applicable for each item on the invoice
 - Faster & Non-invoice Payments
 - The Council has the facility to make faster and non-invoice payments where it is strictly necessary for operational reasons. These payments incur additional fees and so value for money must be considered.
 - Registered invoices can be paid via the bank to expedite payment – for these invoices all the above rules for approved purchase orders and goods receipting must be followed.
 - Payments where no invoice exists can only be made for payments to individuals or entities that cannot issue an invoice – a separate approval process exists for these.
 - Non-invoice payments can not be made where there is VAT to be paid.
 - Best endeavours are made to process faster payments on the same working day if all the requirements have been met. Where this is not possible, they will be paid the next working day.
 - Procurement Cards
 - Procurement Cards provide a facility for officers to make in-store purchases as well as online purchases from suppliers where purchase ordering is difficult or inefficient.
 - The procurement card expenditure should be made in line with the code of conduct.
 - Procurement Cards should only be held and used by the named cardholder.
 - Procurement card transactions should be regularly reconciled by cardholders on the financial system.

- Reconciled transactions should be approved by designated managers who must check the appropriateness of the spend and the quality of attached receipts.
- Appropriate receipts must be included to allow for reclaim of VAT on purchases.

Practice Note 5 - Budgetary Control

1. Outcomes to be achieved

- The Council operates an effective budgetary control system. Revenue and Capital expenditure is regularly monitored within the finance system against the approved estimate and any large variances are identified.
- Monitoring figures for the Council as a whole are submitted to Members once a quarter.
- Any additional spend should be matched by increasing funding via a Supplementary estimate, Virement, Urgency Action or Cabinet report.
- All entries made on the Council's finance system must be valid and coded correctly.

2. Key procedures to follow to achieve the above outcomes

- Cost Centre managers' responsibilities:
 - Make sure that there is an approved budget before committing any expenditure.
 - To ensure monitoring is effective, orders must be raised in advance of goods being received and orders removed from the financial system if no longer valid.
 - Make sure that all entries made on the Council's financial system for the expenditure codes that are under their area of responsibility are valid.
 - Supply detailed revenue and capital monitoring information to their Service Accountant or Capital Accountant using the Council's financial system on an agreed timetable with detailed explanations for all the large variances from the approved estimate and a plan of action to deal with them.
 - Get authorisation for any necessary virements (budget transfer), supplementary estimates, use of carry forward budgets (if available) or dedicated reserve transactions (see Financial Rules – Appendix 1 Virements and Supplementary estimates).
 - Make sure that a liability which would cause expenditure to go above an approved estimate is not incurred, unless this can be met by way of either a virement, supplementary estimate, use of carry forward budgets or a dedicated reserve (see Financial Rules – Appendix 1 Virements and Supplementary estimates).
 - Discuss with the Capital Accountants, where it seems the final capital cost of any scheme or replacement may go over the approved estimate by more than the lower of 10% or £50,000 and (or) following the practical

completion of each scheme. So appropriate reporting to members can be undertaken as necessary.

- Make sure that they understand what qualifies as capital expenditure:

Capital expenditure relates to purchase or enhancement of assets which have a useful life in excess of 12 months. To be an enhancement the expenditure must either lengthen substantially the useful life of the asset or increase substantially its open market value. The Council's de minimis limit for expenditure to be considered as capital expenditure is £10,000.

- Chief Officers Responsibilities and those delegated by Chief Officers:
 - Make sure Cost Centre managers in their services have the knowledge and understanding needed to make sure they are able to carry out their responsibilities effectively.
 - Make sure there is a clear delegation of duties and allocated areas of responsibility in their service area.
 - Agree corrective action on potential variations against budget or performance including getting any necessary approvals for virement, supplementary estimate or use of carry forward reserves (see Financial Rules – Appendix 1 Virements and Supplementary estimates).
- The Section 151 Officer Responsibilities:
 - Co-ordination of the budgetary control process, bringing together the information supplied by services, preparing monitoring reports to Management Team on an agreed timetable and preparing monitoring reports to Audit and Risk Committee and Cabinet on an agreed timetable, which are also distributed to Cabinet Members.
 - Set the criteria under which costs are treated as capital expenditure.

Practice Note 6 - Insurance and Risk Management

1. Outcomes to be achieved

- The Insurance and Risk Manager being aware of all changes in material facts that could influence insurance arrangements.
- The Council has a robust Risk Management Strategy that is applied across all services.
- All significant risks are identified and managed.
- Potential losses are minimised and claims are successfully defended.

2. Key procedures to follow to achieve the above outcomes

- Insurance and Risk Management
 - The Chief Executive must make sure the Council's Risk Management Strategy is reviewed every year by the Management Team. The review must be submitted to the Audit and Risk Committee before being passed to Cabinet for approval.
 - Any material change which could influence the decision of a prudent underwriter must be notified to the Insurance and Risk Manager as soon as possible.
 - All Chief Officers' responsibilities:
 - Be aware of and use Risk Management in their service.
 - Identify and manage large operational and strategic risks coming from their service activities.
 - Identify risks in relation to large partnerships and obtain assurances in respect of the management of those risks.
 - Make periodic returns or statements on insurance matters as directed by the Insurance and Risk Manager.
 - Notify the Insurance and Risk Manager as soon as possible of any claims, or potential claims.
 - Maintain up to date valuations for insurance purposes where appropriate.
 - Implement procedures and keep records to make certain insurance losses are minimised and the Council is able to defend all insurance claims.
 - Provide up to date records and information to the Insurance and Risk Manager when requested.

- Disclose all material facts to the Insurance and Risk Manager to allow him/ her to discharge their duties.
- Give prompt written notification to the Insurance and Risk Manager of the extent and nature of all new risks, and of any alterations affecting current risks.
- Consult with the Insurance and Risk Manager, Section 151 officer, and Legal and Democratic Services Manager in respect of the terms of any indemnity the Council is asked to give.
- Maintain and review their service's Risk Register in discussion with the Insurance and Risk Manager.
- Report promptly any loss of cash, stores or stock to the Insurance and Risk Manager.
- Complete a risk assessment before members of staff are put in a position where they could theoretically collude with each other to commit fraud.
- Inform the Insurance and Risk Manager, who shall notify the Police, if appropriate, where insurance claims, or potential claims shall be made.
- Notify the Insurance and Risk Manager promptly of the acquisition or disposal of any vehicles or property.
- Ensure all claims are handled in line with relevant protocols.
- The Procurement and Risk Manager shall:
 - Take out all insurance cover and maintain a register of such insurance and the Motor Insurers database.
 - Maintain appropriate insurance reserves to meet uninsured risks and excesses payable on successful claims.
 - Together with the Insurance and Risk Manager review all insurances in consultation with the service Chief Officer when necessary.
- The Audit Services Manager
 - Is responsible for monitoring the implementation and effectiveness of the Risk Management Strategy.

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

1. Outcomes to be achieved

- All contracts entered into must:
 - comply with the Council's Standing Orders relating to Contracts;
 - not impact adversely on services provided by the Council;
 - be legal and properly authorised; and
 - provide value for money.
- All arrangements with an external partner or a third party are written down and a register of all contacts is kept.
- A risk appraisal is completed for all arrangements with an external partner or a third party.
- Before entering into any agreement, the details of the arrangement are given to the Accountancy Services Manager (Section 151 Officer).

The Audit Services Manager may inspect any final account on a contract and be entitled to any further information and explanations he/she requires.

2. Key procedures to achieve above outcomes

- Agreements with External bodies
 - Before making an agreement with an external partner or third party, staff must complete a risk assessment appraisal and give it to the Section 151 Officer. The risk assessment must include a consideration of insurance requirements (see practice note 6 Insurance and Risk Management).
 - Appropriate information must be given to the Section 151 Officer to enable a note to be added to the Council's statement of accounts concerning important items.
 - Before entering into an agreement with an external body, the Section 151 Officer must be consulted about any charging arrangements.
 - The Section 151 Officer responsibilities:
 - Make sure that accountancy arrangements are satisfactory.
 - Advise on key elements of funding a project, including;
 - an assessment of the financial viability of the scheme in current and future years;
 - resourcing, including taxations issues; and
 - security.

- The Legal and Democratic Services Manager must approve the document before the agreement is signed.
- Contracts
 - Chief Officers responsibilities:
 - Notify the contractor in writing before the work being done or as soon as possible by issuing an official order through the Council's financial system (see practice note 4 Purchase ordering, Invoice payment & Procurement cards).
 - Make sure all variations to the order are authorised by an appropriate officer in accordance with the authorised limits specified in the Contract Standing Orders and get authorisation from Cabinet where these authorisation limits are exceeded, or where the variation may exceed the overall capital provision.
 - Where a variation in the contract occurs, if it is estimated to exceed 5% of the value of the order or £10,000 whichever is the smaller, request a breakdown justifying the variation.
 - Make sure that if the conditions of the contract require the contractor to provide insurance cover, the policies in respect of this cover are obtained and given to the Insurance and Risk Manager and the Section 151 Officer before starting the contract. If the policies end during the term of the contract, further evidence must be obtained.
 - Consult with the Section 151 Officer and Legal Services Manager before entering into any agreement.
 - The contract is signed before the start of any work.
 - Make sure that payments are only made on a certificate issued by or on the behalf of an external architect, engineer or consultant appointed by the Council. Each certificate issued must show the amount of the contract, the amount certified on this certificate, the amount certified to date, the retention amount and, where applicable, the amount deducted for liquidated damages and any Value Added Tax.
 - Payment in advance is only to be made in exceptional circumstances and the risk must be offset by an approved bond in the Council's favour.
 - Make sure the payments made on account are as specified in the contract and subject to being authorised by the Chief Officer or the officer responsible for supervising the contract.
 - Send claims received from the contractor in respect of matters not clearly within the terms of the existing contract to the Legal and Democratic Services Manager for consideration of the Council's legal liability.

- Partnerships
 - All Chief officers must make sure that:
 - The financial performance of significant partnerships is regularly reviewed, linked to outputs, and the results shared with partners and acted upon.
- Work for Third Parties
 - All Chief Officers must make sure that:
 - Appropriate insurance arrangements are made by the Insurance and Risk Manager.
 - The contract, clearly setting out all liabilities is signed before the start of any work.
 - The Council is not put at risk from any bad debts.
 - No contract is subsidised by the Council.
 - The service has the expertise to take on the contract.
 - It will not have an adverse impact on the Council's ability to deliver it's own services.

Practice Note 8 - Income Collection and Debt Management

1. Outcomes to be achieved

- All income due to the Council should be identified and collected promptly.
- All income collected must be recorded, stored securely and transferred to our bank account.
- All income to be coded correctly on the financial system.

2. Key procedures to follow to achieve the above outcomes

- Keep record of all income collected and reconcile to bankings and the Council's finance system.
- Income Collection
 - The Section 151 Officer will decide the arrangements for the order, supply and safe keeping of all receipt forms, books and other such items.
 - The Financial Operations Manager will be responsible for recording Terminal IDs for card payments and obtaining the Payment Card Industry Data Security Standard (PCI DSS) certificates from any third-party system used by the Council for processing card payments.
 - Chief Officers' responsibilities:
 - Where possible income should be collected in advance or at the point of supply of goods or services.
 - Involve the Financial Operations Manager and Digital Services of any third-party system that they wish the council to use in relation to card payments prior to contract award to allow for appropriate checks to be made regarding PCI DSS compliance.
 - All card payments should be processed via the Council's chosen Gateway and Merchant provider, if for some reason this is not possible the Section 151 Officer will need to give permission for an alternative Gateway or Merchant provider to be used.
 - All excesses and shortages of income must be recorded.
 - All money must be kept in a secure place until it can be banked. The Insurance and Risk Manager must be consulted about insurance cover against theft or loss.
 - All money collected for the Council must be banked in our bank account or passed to any other body or person entitled to it, as instructed by the Section 151 Officer.
 - The Financial Operations Manager must be informed of any Council run events that will involve income handling. Notification must be well

in advance of the event to allow for the arrangement of appropriate controls.

- Debtors
 - Chief Officers responsibilities:
 - Make sure all income due is identified and raise a debtors invoice on a timely basis.
 - Make sure that correct VAT is charged on the invoice.
 - Notify the Section 151 Officer of all money due to the Council and of contracts, leases and other agreements and arrangements entered into that involve the receipt of money by the Council.
 - Regularly review outstanding invoices for their area of responsibility, take appropriate recovery action within the service or ask the Section 151 Officer to start external recovery action when necessary in line with the Debt Management policy.
 - Make sure that invoices being authorised for amendment, cancellation or write-off are for the correct account and amount and the reason for cancellation is justified.
 - Section 151 Officer responsibilities:
 - Authorise irrecoverable debts to be written off every quarter.
 - Set the procedures and the timetable to be used for the recovery of debt.
 - Start outstanding debt recovery action in line with the Credit control policy.
 - Actively manage ongoing recovery cases.

- Charges
 - Chief Officers' responsibilities:
 - Discuss any new charging arrangements with the Section 151 Officer before entering into them.
 - Review the basis of their fees and charges every year in discussion with the Section 151 officer.
 - Make sure VAT is applied to all charges liable to VAT if unsure of VAT liability consult the Financial Operations Manager.
 - Ensure that new charges and recurring invoices on the financial system are billed in line with the Council's current pricing schemes.

Practice Note 9 - Project Appraisal Reviews

1. Outcomes to be achieved

- Ensure Council Investment has been prudent and that projects have been implemented successfully and benefits realised.
- Ensure that lessons are learnt and fed through to future projects.

2. Key procedures to follow to achieve the above outcomes

- All Chief Officers must ensure that:
 - Original bid submissions are robust, contain details of measurable outcomes, demonstrate how they support the strategic objectives of the Council and identify any risks associated with the project.
 - They have consulted with all stakeholders.
 - They have the support of their Cabinet member and Director.
 - There should be an effective governance structure in place to ensure there is sufficient oversight, timely decision making and that the project aims and objectives are achieved.
 - They monitor and report regularly on the financial and non-financial information (e.g. milestones and risks), including the performance of the delivery partner and contract obligations during the implementation of the project.
 - They impact assess project changes against key project variables.
 - They carry out a post project evaluation and share any outcome that may assist the organisation on future projects.
 - Provide information to their service accountant to enable the outcomes of the project to be monitored.
- The Procurement and Risk Services Manager shall:
 - Advise on all aspects relating to procurement, advantages and disadvantages of the different contracts available.
 - Manage the tender process through to selection.
- The Accountancy Services Manager (Section 151 Officer) shall
 - Provide financial advice and support to services at all stages of the process and will include advice on inflation, contingencies in line with financial risks and financing costs and impact of the project.
 - Monitor expenditure and income to understand if financial benefits have been realised.

Practice note 10 – Financial Arrangements for Partnerships

1. Introduction

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

2. Definitions

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

3. Financial Arrangements

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

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

4. Setting budgets for the Partnership

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

5. Audit Arrangements

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

6. Monitoring and Assessment

- The Partnership is responsible for monitoring and assessing its performance:
 - measured by a range of indicators that the Partner Authorities have agreed;

- in achieving the key outcomes identified in its Business Plan.
- The Partnership will receive presentations and progress reports on key issues and notable projects and take action to address the shortcomings identified.
- The Governance arrangement for partnerships must be subject to regular review and update.
- The Partnership must produce an Annual Report of its activities, finances and performance to the Partner Authorities and other appropriate parties.