

FINANCIAL AND BUDGET PROCEDURE RULES

A. INTRODUCTION

- A.1. The Head of Corporate Finance is responsible, under Section 151 of the Local Government Act 1972, for the “proper administration of the Council’s financial affairs.”
- A.2. Financial and Budget Procedure Rules provide the framework for managing the Authority’s financial affairs. They apply to every Councillor and officer of the Council and anyone acting on behalf of the Council. The regulations identify the financial responsibilities of officers and Councillors and where these responsibilities are delegated, a written record should be maintained of the delegation to whom and any limits that apply.
- A.3. All Councillors and officers have a general responsibility for taking reasonable action to provide for the security of the assets under their control, and for ensuring that the use of these resources is for Council purposes only, is legal, is properly authorised and provides value for money.
- A.4. The Head of Corporate Finance is responsible for:
- Maintaining a continuous review of the Financial and Budget Procedure Rules and submitting any additions or changes necessary to the Full Council for approval.
 - Reporting, where appropriate, breaches of the Financial and Budget Procedure Rules to the Full Council and/or to the Cabinet Members.
 - Issuing advice and guidance to underpin the Financial and Budget Procedure Rules which Councillors, officers and others acting on behalf of the Council are required to follow.
- NB. Additional responsibilities of the Head of Corporate Finance are set out in the Council Officer Responsibilities and Decision Making Section of this Constitution.*
- A.5. Chief Officers are responsible for ensuring that all officers in their divisions are aware of the existence and content of the authority’s Financial and Budget Procedure Rules and other internal regulatory documents and that they comply with them.
- A.6. Service Managers and other officers designated as having responsibility for a budget are referred to as a Budget Manager in this document. Chief Officers have a responsibility to allocate a Budget Manager for all expenditure and income within their service area. Budget Managers are responsible for monitoring and managing expenditure and income within their budgets to ensure that they achieve the best use of resources (both financial and non-financial) in order to demonstrate value for money services whilst complying with the authority’s Financial and Budget Procedure Rules and other internal regulatory documents.

B. FINANCIAL PLANNING AND BUDGET SETTING PROCEDURES

- B.1. The Cabinet is responsible for proposing the Budget to the Full Council.
- B.2. The Full Council is responsible for setting the capital and revenue budgets annually prior to the start of the financial year for the current and future financial years,

including allocation to services, and reserves and contingencies for the forthcoming financial year, the budget requirement and basic amounts of tax.

- B.3. Once the Budget is in place, it will be the responsibility of the Cabinet to implement it. The Process for this is detailed in Section C (Financial Management/Budget Monitoring) of these Rules.

Process for Developing the Budget

- B.4. The Head of Corporate Finance will report to the Cabinet on the Budget Strategy, including the Medium Term Financial Strategy.
- B.5. Chief Officers will prepare budgets, in consultation with their Budget Managers, which:
- Reflect the Council's priorities in respect of service development.
 - Consider alternative service delivery options to ensure that the service achieves the most effective use of both financial and non-financial resources.
 - Identify potential savings for the budget areas.
 - Include business cases for any proposed increased levels of spending.
 - In doing so, ensure that every budget is administered by the most appropriate Budget Manager and aligns budget responsibility as closely as possible to the decision making that influences the expenditure/income concerned.
- B.6. Chief Officers will consult with Cabinet Members on all significant budget proposals and, where other service areas are likely to be impacted, with the relevant Chief Officers.
- B.7. The Head of Corporate Finance will seek the views of the Budget Advisory Group on the revenue and capital proposals. Those views will then be reported to the Cabinet.
- B.8. The Leader of the Council with the Head of Corporate Finance will present the draft Budget Report to the Overview and Scrutiny Commission for their scrutiny prior to its consideration by the Cabinet.
- B.9. The Head of Corporate Finance will advise the Cabinet on appropriate levels of reserves to be held for budget purposes having regard to any policies agreed by the Council and making decisions on the establishment of new reserves.
- B.10. The Cabinet will subsequently make recommendations to the Full Council on:
- The proposed General Fund Budget for the subsequent year, including savings and growth.
 - The proposed Housing Revenue Account Budget for the subsequent year.
 - The proposed Capital Programme and funding for future years.
 - The Council's proposed share of Council Tax for the subsequent year.
 - The proposed Pay Policy Statement for the subsequent year.

Process for Approving the Budget

- B.11. The Full Council will consider the Cabinet's recommendations on the Final Budget and on the level of Council Tax before 11 March each year (usually at its February meeting).
- a) If the Full Council has objections to the Cabinet's proposals referred to in Paragraph B.10, whether or not it has any intention of making any modifications, it must, before making any decision, inform the Leader of those objections and give them instructions requiring the Cabinet to reconsider the proposals in the light of those objections.
 - b) When giving such instructions, the Full Council must specify a period of at least five working days beginning on the day after the date on which the Leader receives the instructions during which the Leader may:
 - Submit revised proposals, as amended by the Cabinet, with the Cabinet's reasons for the amendments for consideration by the Full Council.
 - Inform the Full Council of any disagreement that the Cabinet has with any of the Full Council's objections and the Cabinet's reasons for any such disagreement.
 - c) On the expiration of the period specified by the Full Council, the Full Council must take into consideration any response received from the Cabinet within that period, when making a decision.
 - d) The decision will be made on the basis of a simple majority of votes cast at the Full Council meeting.
 - e) The conflict resolution procedure identified in Paragraphs (a) to (c) above will not apply to the proposals for the setting of the Council Tax in relation to the following financial year, where the Cabinet submits such proposals to the Full Council for consideration after 7 February in any financial year.
 - f) In approving the Budget, the Full Council will also specify the extent of transfers within the Budget (virements) which may be undertaken by the Cabinet, in accordance with these Rules.

C. FINANCIAL MANAGEMENT/BUDGET MONITORING

C.1. Budget Managers are responsible for:

- Following an approved process for all expenditure.
- Ensuring all income and expenditure is properly recorded and accounted for.
- Monitoring performance levels/levels of service in conjunction with the Budget and taking necessary action to align services, outputs and budgets.

C.2. Chief Officers are responsible for:

- Securing value for money in all financial transactions, ensuring that they and their officers comply with these Financial Regulations and any associated guidance.
- Ensuring that levels of expenditure and associated performance for their services are properly monitored and controlled throughout the year, with realistic forecasts of income and expenditure prepared and submitted to the Head of Corporate Finance.

- Ensuring that their services are managed within the approved budget and appropriate corrective action is taken where significant variations from the approved budget are forecast.
- All income and expenditure under their control.

C.3. The Head of Corporate Finance is responsible for:

- Providing appropriate financial information to enable budgets to be monitored effectively.
- Reporting to the Cabinet on the overall Council budget monitoring position on a quarterly basis.
- Report on the Council's reserves presented annually to the Cabinet as part of the Financial Outturn Report.

Budget Transfers (Virement)

C.4. Budgets can be transferred from one service area to another by Chief Officers, the Head of Corporate Finance or the Cabinet up to their limits in the Council's Financial Approval Levels (included within Section J of these Rules). All other budget transfers shall be referred to the Full Council for approval unless deemed urgent (see below).

C.5. The Head of Corporate Finance can approve:

- One-off redundancy and early retirement costs arising from any staffing restructure or other circumstances up to the limit in the Council's Financial Approval Levels subject to the restructure delivering value for money. This will normally be interpreted as providing a payback with three years.
- Changes to the cost and phasing of individual schemes within the overall capital programme budget in consultation with the Leader.

The Cabinet can approve supplementary estimates up to the limits specified in the Council's Financial Approval Levels.

C.6. All budget transfers and supplementary estimates will be reported to the Cabinet in quarterly budget monitoring reports.

Calling-In of a Decision Contrary to the Budget

C.7. If the Overview and Scrutiny Commission is of the opinion that a decision was taken which was contrary to (or not wholly in accordance with) the Budget (as approved by Full Council), the decision may be Called-In and will follow the process set out in the Call-In Procedures in this Constitution.

Urgent Decision Outside the Budget

C.8. An urgent decision which is contrary to or not wholly in accordance with the Budget may only be taken by the Leader/Cabinet in consultation with the Head of Corporate Finance and the Chief Executive if:

- It is not practical to convene a quorate meeting of the Full Council.
- The Chair of the Overview and Scrutiny Commission, or in their absence the Vice Chair of the Commission (or in the absence of both of them, the Mayor), has agreed that the decision is urgent and cannot be reasonably deferred.

- The Leader submits a report to the next ordinary meeting of the Full Council. This report will detail the decision made, the reason for urgency and confirmation of the Overview and Scrutiny Commission's consent.

D. FINANCIAL SYSTEMS AND PROCEDURES

- D.1. The Head of Corporate Finance is responsible for issuing financial instructions to Chief Officers which must be complied with in respect of controlling income and expenditure.
- D.2. The Cabinet, having regard to the advice of the relevant Chief Officer and the Head of Corporate Finance, is responsible for determining discretionary charges for Council services, for writing off sums to the Council, and for delegating authority to determine discretionary charges and to write off sums due to the Council.
- D.3. Any proposal outside of the annual review process to introduce or change a charge with an estimated annual value above a level agreed by the Cabinet must be approved by the Cabinet – or as appropriate, if this matter is so delegated.
- D.4. Chief Officers are responsible for ensuring that:
- All income due to the Council is identified and charged correctly.
 - All charges for Council services are reviewed in conjunction with the Head of Corporate Finance at least once a year having regard to their appropriateness in relation to the Council's approved charging and other relevant Council policies, and approved by the Cabinet or as appropriate, if this matter is so delegated.
 - Effective recovery processes are in place for all income streams and compliance with the Council's debt management policy.
 - All money received by an officer, contractor or agent on behalf of the Council is paid without delay to the Council's bank account, properly recorded and reconciled to the bank account by a person who is not involved in the collection or banking process.
 - Formal approval for debt write off is obtained without delay.
 - A Scheme of Management is operated effectively within the area identifying officers authorised to act on the Chief Officer's behalf in respect of placing orders, payments, income collection and preparation of write offs for submission to the Head of Corporate Finance, together with the limits of their authority.
 - Value Added Tax and other forms of relevant taxation (e.g. under the Construction Industry Scheme) are properly accounted for within stipulated timescales and any implications of any proposed income or expenditure are properly considered prior to the transaction taking place.
 - The systems and procedures to be adopted in relation to financial aspects of contracts for constructions and alterations to buildings for civil engineering works are documented and agreed with the Head of Corporate Finance.

E. TREASURY MANAGEMENT (INVESTMENTS AND BORROWING)

- E.1. The Council has adopted the key recommendations of CIPFA's Treasury Management in the Public Service Code of Practice (Code). Accordingly, the Full Council is responsible for approving a Treasury Management Policy Statement, on an annual basis, stating the policies and objectives of its treasury management activities, including, the annual strategy and plan in advance of the year, a mid-year review and an annual report after its close, in the form prescribed in its Treasury Management Practices (TMPs).
- E.2. The Council will create and maintain, as the cornerstones for effective treasury management:
- A Treasury Management Policy Statement, stating the policies, objectives and approach to risk management of its treasury management activities.
 - Suitable TMPs, setting out the manner in which the Council will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.
- E.3. The content of the policy statement and TMPs will follow the recommendations contained in Sections 6 and 7 of the Code, subject only to amendment where necessary to reflect the particular circumstances of the Council. Such amendments will not result in the Council materially deviating from the Code's key principles.
- E.4. The Full Council will receive reports on its treasury management policies, practices and activities, including, as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close, in the form prescribed in its TMPs.
- E.5. The Full Council delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to the Cabinet, and for the execution and administration of treasury management decisions to the Chief Finance Officer, who will act in accordance with the Council's policy statement and TMPs and, if they are a CIPFA member, CIPFA's Standard of Professional Practice on Treasury Management.
- E.6. The Council nominates the Overview and Scrutiny Commission to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

Banking

- E.7. All arrangements concerning banking services will be made solely upon direction of the Chief Finance Officer. This includes the opening, closing and operation of the Council's bank accounts, credit, debit or other payment cards and the arrangements for retaining cash (including cash floats) on Council premises.

F. CONTROL OF ASSETS

- F.1. Chief Officers, having regard to advice and instructions from the Head of Corporate Finance and any other relevant professional advisors employed by the Council, are responsible for ensuring that:
- Resources are used only for the purposes of the Council and are properly accounted for, including the maintenance of proper inventories.
 - Resources are available for use when required.

- Resources no longer required are disposed of in accordance with the law and the procedures issued by the Head of Corporate Finance.
- All officers are aware of their responsibilities with regard to safeguarding the Council's assets and information, including any legal requirements in relation to data protection and software copyright.
- All officers are aware of their responsibilities with regard to safeguarding the security of the Council's computer systems, including maintaining restricted access to the information held on them and compliance with the Council's computer and internet security policies.
- Contingency plans for the security of assets and continuity of service in the event of disaster or system failure are in place.

F.2. Assets must be disposed of at the most appropriate time, only when it is in the best interests of the Council, at the best price reasonably obtainable and in accordance with the limits in the Council's Financial Approval Levels.

G. RISK MANAGEMENT AND AUDIT (INCLUDING FRAUD)

Risk Management and Insurance

- G.1. The Head of Corporate Finance is responsible for producing the Council's strategic risks annually to be presented to the Audit Committee.
- G.2. Chief Officers are responsible for:
- Implementing and complying with the Council's risk management policy, having regard to associated advice and instructions from the Head of Corporate Finance and other specialist officers (e.g. health and safety, crime prevention, legal).
 - Embedding risk management within the operation of all of their services.
 - Maintaining and testing business continuity plans.
- G.3. The Head of Corporate Finance is responsible for all insurance matters including the review of the approach to risk management, determining the nature and level of insurance cover to be arranged and the processing and settlement of all claims.
- G.4. Chief Officers are responsible for notifying the Head of Corporate Finance of any:
- New risk, property, equipment or vehicle which may require insurance.
 - Alterations to services or other arrangements which may affect insurance arrangements.
 - Loss, damage or claim.
- G.5. Chief Officers are responsible for ensuring that those acting on behalf of the Council are instructed not to make any admission of liability or offer of compensation that might prejudice the assessment of a potential liability of the Council or of its insurers.

Internal Controls

- G.6. The Head of Corporate Finance is responsible for the production of the Annual Governance Statement and for ensuring that an effective system of internal control exists, advising and instructing Chief Officers accordingly. The Annual Governance Statement and the system of internal control will be designed to guard against fraud

and corruption and to ensure that public funds are properly safeguarded and used economically, efficiently and effectively.

- G.7. Chief Officers are responsible for ensuring that internal controls within their service areas are adequate and operating as intended and for the timely implementation of all agreed recommendations in audit reports.

Audit Requirements

- G.8. The Head of Corporate Finance is responsible for providing the internal audit of the Council's systems and processes, ensuring it is sufficient in its coverage and independent in its planning and operation.
- G.9. The Head of Corporate Finance is responsible for ensuring that the individual responsible for the Council's audit function has direct access to the Chief Executive, all levels of management, and Chairs of Committees, as appropriate.
- G.10. The Head of Corporate Finance shall ensure that the statutory requirements for external audit are complied with in order that the external auditor is able to effectively scrutinise the Council's records. Chief Officers shall ensure reasonable access by them to the Council's premises and records relevant to the audit.
- G.11. Chief Officers are responsible for ensuring that the Head of Corporate Finance is immediately notified of any suspected irregularity relating to both private and Council funds, including cash, payment cards, any Council financial system, stores or other property, and any financial transaction or arrangement, or any material weakness which has been identified in any system or control.

Preventing Fraud and Corruption

- G.12. All Councillors and officers of the Council are personally responsible for ensuring integrity in the conduct of the Council's business. The Head of Corporate Finance is responsible for developing and maintaining an anti-fraud and corruption strategy, which will incorporate advice to all officers and Councillors on the controls necessary to maintain control of public funds and assets used by the Council in the daily management of its services, including appropriate arrangements for the treatment and registration of relevant interests, gifts and hospitality.
- G.13. Chief Officers shall foster a culture of honesty and opposition to fraud and corruption within the Council and are responsible for notifying the Head of Audit immediately of any suspected fraud, theft, irregularity or improper use of Council property, assets, resources or services.
- G.14. Where financial impropriety is discovered, and sufficient evidence exists to believe that a criminal offence has been committed, the Head of Corporate Finance will instruct the Head of Legal, Democracy and HR to take the appropriate legal action.

H. PROCUREMENT

- H.1. The Council's Procurement Code sets out the processes and rules to be followed when procuring all the Council's goods, works and services. The Code can be found via the Council's website.

- H.2. The Procurement Code is the responsibility of the Full Council.
- Minor amendments to the Procurement Code are delegated for approval to the Head of Corporate Finance and Head of Legal, Democracy and HR.
 - Significant amendments (anything deemed not minor by either the Head of Corporate Finance or Head of Legal, Democracy and HR) shall be considered by the Cabinet prior to them being agreed and adopted by the Full Council.
- H.3. For ease of reference, the approval and sign off levels for procurement are included within Section J of these Rules.

I. EXTERNAL ARRANGEMENTS

External Funding

- I.1. The Head of Corporate Finance is responsible for ensuring that all funding due from external bodies is received and properly accounted for.
- I.2. Chief Officers are responsible for:
- Ensuring that any external funding/grant supports the Council's service priorities.
 - Ensuring that the Head of Corporate Finance is notified in a timely manner of all grants being made to the Council.
 - Maintaining a copy of the terms and conditions of all such grants and ensuring compliance with them.
 - Ensuring, in conjunction with the Head of Corporate Finance, that any matched funding requirements can be met from within existing budgets.
 - Ensuring that time limited funding is spent in advance of the end date and that no financial commitments remain with the Council, unless previously agreed by the Cabinet, after the external funding/grant ceases.
 - Ensuring that, where funding is withdrawn, the related service and any associated expenditure should cease.

Alternative Service Delivery Models

- I.3. A number of alternative service delivery models may be adopted to deliver the Council's services, e.g. shared services, local authority companies, trusts, etc. The Head of Corporate Finance shall ensure that the accounting arrangements adopted in relation to these delivery models are subject to control procedures which reflect those of the Council.
- I.4. Chief Officers must consult the Head of Corporate Finance at an early stage of any proposals relating to alternative delivery models in order to ensure that the financial impact of the proposals, including VAT and pensions, etc., is understood.

J. FINANCIAL APPROVAL LEVELS AND PROCUREMENT THRESHOLDS

Financial Approval Levels

	Budget Transfers		Redundancies/early retirement	Supplementary Estimate		Purchase land/property for housing delivery	Asset Disposal	Write-offs	Sale of land
	Revenue	Capital		Revenue	Capital				
Heads of Service	£50,000 within service area, no future commitment	£50,000 within service area					£10,000		
Head of Corporate Finance	£50,000 across the Council, no future commitment	£50,000 across the Council	£500,000				£10,000 - £50,000	Up to £2,500	Up to £50,000
Head of Crawley Homes jointly with the Head of Corporate Finance *						Within the limits of the Housing Revenue Account Budget			
Leader								£2,500 - £50,000	£50,000 - £200,000
Cabinet	Over £50,000, or up to £100,000	Over £50,000		Up to £100,000 per request, up	Up to £500,000		Over £50,000	Over £50,000	Over £200,000

	Budget Transfers		Redundancies/early retirement	Supplementary Estimate		Purchase land/property for housing delivery	Asset Disposal	Write-offs	Sale of land
	Revenue	Capital		Revenue	Capital				
	future commitment			to maximum of £500,000 per annum	per scheme				
Full Council	Future commitment above £100,000			Over £100,000	Over £500,000				

* In consultation with the Cabinet Member for Housing and the Leader.

Procurement Thresholds and Contract Award Procedure: Goods and Services Contracts

Total Contract Value	Procurement Route	Short-Listing/Evaluation of Suppliers	Receipts of Quotes/Tenders	Contract Approval and Award	Method of Contract Completion	Transparency Code Obligations
Under £19,999	Evidence of value for money	Officer	Officer	Officer in consultation with the appropriate budget holder	Signature and or purchase order raised	Publish details of all contracts of £5,000 + on the Council's contracts register*
£20,000 - £49,999	Three written quotations	Officer and Line Manager	Quotations returned to department and reviewed by at least two officers	Officer in consultation with the Head of Service	Signature	Publish details of all contracts on the Council's contracts register*
£50,000 – EU Threshold (see intranet for current EU thresholds)	Open tender by advertisement on Contracts Finder via the SE Shared Services Portal	Tenders to be evaluated by a minimum of two officers	Tenders to be returned to the Audit and Risk Section and opened in the presence of two Council representatives (see Section 9.7 of the Procurement Code) Or To be electronically opened by the Council's approved e-tendering package	Officer in consultation with Head of Service	Up to £100,000 Signature	Publish details of contract award on SE Shared Services Portal
					Over £100,000 sealing	Publish details of all contracts on the Council's contract register*
Above EU Threshold	Invitation to tender to at least five Tenderers by advertisement on Contracts Finder via the SE Shared Services Portal and by advertisement in the Official European Journal.	Tenders to be evaluated by a minimum of two officers. Where a restricted tender process has been used, approval of shortlist by Officer, and Head of Service	As above	EU to £250k Head of Service approval in consultation with CEO/Deputy CEO	sealing	Publish details of contract award on SE Shared Services Portal.
				£250k to £500k Head of Service in consultation with CEO/Deputy CEO and Portfolio Holder. A Significant Operational Decision Form (SOD) must be completed and submitted to Democratic Services for inclusion in the Councillors' Bulletin	sealing	Publish details of all contracts on the Council's contract register*

* The Contracts Register is managed through the Procurement Team and Legal/Democratic Services. There is an eform available on the intranet that must be completed in order to provide details of the contract award.

Procurement Thresholds and Contract Award Procedure: Works Contracts

Total Contract Value	Procurement Route	Short-Listing/Evaluation of Suppliers	Receipts of Quotes/Tenders	Contract Approval and Award	Method of Contract Completion	Transparency Code Obligations
Under £19,999	Evidence of value for money	Officer	Officer	Officer in consultation with the appropriate budget holder	Signature and or purchase order raised	Publish details of all contracts of £5,000 + on the Council's contracts register*
£20,000 - £99,999	Three written quotations	Officer and Line Manager	Quotations returned to Department and reviewed by at least two Officers	Officer in consultation with Head of Service.	Signature	Publish details of all contracts on the Council's contract register*
£99,999 – EU Threshold (see intranet for current EU Thresholds)	Invitation to tender, to at least five Tenderers by advertisement on Contracts Finder via the SE Shared Services Portal. A 'restricted' tender process for Works contracts can only be used for Tenders above the EU Threshold for goods and services. A national standard PQQ must be used.	Tenders to be evaluated by a minimum of two officers. Where a restricted tender process has been used, approval of shortlist by Officer, and Head of Service	Tenders to be returned to the Audit and Risk Section and opened in the presence of two Council representatives See Section 9.7 of the Procurement Code Or To be electronically opened by the Council's approved e-tendering package	Up to EU Goods & Services threshold Officer in consultation with Head of Service	Up to £100,000 Signature	Publish details of contract awards on SE Shared Services Portal. Publish details of all contracts on the Council's contract register*
				EU goods & services threshold to £250k Head of Service approval in consultation with CEO/Deputy CEO	Over £100,000 Sealing	
				£250k to £500k Head of Service in consultation with CEO/Deputy CEO and Portfolio Holder. A Significant Operational Decision Form (SOD) must be completed and submitted to Democratic Services for inclusion in the Councillors' Bulletin		
				Above £500k – approval by Cabinet		

Total Contract Value	Procurement Route	Short-Listing/Evaluation of Suppliers	Receipts of Quotes/Tenders	Contract Approval and Award	Method of Contract Completion	Transparency Code Obligations
Above EU Threshold	Invitation to tender to at least five Tenderers by advertisement on Contracts Finder via the SE Shared Services Portal and by advertisement in the Official European Journal.	Tenders to be evaluated by a minimum of two officers. Where a restricted tender process has been used, approval of shortlist by Officer, and Head of Service	As above	Approval by Cabinet	Sealing	Publish details of contract award on SE Shared Services Portal. Publish details of all contracts on the Council's contract register*

* The Contracts Register is managed through the Procurement Team and Legal/Democratic Services. There is an eform available on the intranet that must be completed in order to provide details of the contract award.