Public Document Pack

Notice of Meeting

East Surrey Shadow Authority Audit and Governance Committee

Date and Time	**Place**	**Contact**
Wednesday, 2 September 2026 at 2.00 pm	Council Chamber, Epsom Town Hall, KT18 5BY Online access to this meeting is available on YouTube: [Link to online broadcast]	democraticservices@epsom-ewell.gov.uk

Committee members

Councillors Councillor Tim Snuggs (Chair), Councillor Stephen McKenna (Vice-Chair), Councillor Nick Abear, Councillor Alex Coomes, Councillor Eva Ferlez, Councillor Fran Fish, Councillor Lynne Fletcher, Councillor Wendy Gibbs, Councillor Nick Greenfield, Councillor Joshua Lambert, Councillor Barry Maguire, Councillor Alan Parker, Councillor Jeremy Pursehouse, Councillor Andrew Stevens and Councillor Jolanta Waugh

MEETING SUMMONS

To the members of the East Surrey Shadow Authority Audit and Governance Committee:

You are hereby summoned to attend a meeting of the East Surrey Shadow Authority Audit and Governance Committee to be held on Wednesday, 2 September 2026 at 2.00 pm, for the transaction of the business set out in the following agenda.

Such meeting to be held in the Council Chamber, Epsom Town Hall, KT18 5BY. Online access to this meeting is available on YouTube: Link to online broadcast

For enquiries regarding this agenda contact: democraticservices@epsom-ewell.gov.uk

Daniel Bainbridge
Interim Monitoring Officer
East Surrey Shadow Authority
Published:Monday, 24 August 2026

www,surreylgrhub.gov.uk

AGENDA

1 APOLOGIES FOR ABSENCE

2 DECLARATIONS OF INTEREST

All Members present are required to declare, at this point in the meeting or as soon as possible thereafter:

(i) any disclosable pecuniary interests and / or
(ii) other interests arising under the Code of Conduct

in respect of any item(s) of business being considered at this meeting.

3 MINUTES OF THE PREVIOUS MEETING (Pages 5 - 8)

The Committee is asked to confirm as a true record the Minutes of the Meeting of the Committee held on 06 July 2026 (attached) and to authorise the Chair to sign them.

4 FINANCIAL PROCEDURE RULES AND CONTRACT STANDING ORDERS (Pages 9 - 48)

This report presents early sight of both the Finance and the Procurement and Contract sections of the new Constitution for East Surrey and invites comments on the draft and principles, ahead of finalising and bringing back to this Committee for final consideration.

Section 9P of the Local Government Act 2000 requires every local authority to prepare, maintain, and keep up to date a formal constitution. This document controls how the local council operates, makes decisions, and handles its governance. The sections relating to Finance and to Procurement and Contracts set out:

- How the Council governs the manner in which the financial activity is conducted and ensures its financial interests are safeguarded; and
- How the Council authorises and manages expenditure and resulting commercial contracts with other organisations.

It is therefore essential that East Surrey Council has an agreed Constitution in place in time for vesting day on 1st April 2027, and that the detail of the finance and the procurement and contract elements of that Constitution are agreed in time to establish required process and controls ahead of vesting day.

5 WHISTLEBLOWING POLICY (To Follow)

6 APPOINTMENT OF CO-OPTED MEMBERS TO THE AUDIT AND GOVERNANCE COMMITTEE (Pages 49 - 54)

This report requests that the East Surrey Shadow Audit and Governance Committee consider and endorses the proposed process for the appointment of two Independent Co-Opted Members for the remainder of the Shadow Period and thereafter for a four-year term until 31 March 2031.

7 FORWARD WORK PROGRAMME 2026-27 (Pages 55 - 56)

The Committee is requested to note its forward work programme for 2026-27.

PLEASE NOTE: members of the public are able to attend the meeting in person. The meeting will also be broadcast online on YouTube: Link to online broadcast.

The whole of the meeting will be filmed except where there are confidential or exempt items. In attending any meeting, you are recognising that you may be filmed and consent to the live stream being broadcast online, and available for others to view.

Members of the press/public may film or record proceedings, blog or tweet proceedings and take photographs providing they do not disturb the conduct of the meeting. The Chair of the meeting has the discretion to terminate or suspend filming/recording if in her/his opinion continuing to do so would prejudice the proceedings of the meeting or, on advice, considers that continued filming/recording might infringe the rights of any individual.

EMERGENCY EVACUATION PROCEDURE

No emergency drill is planned to take place during the meeting. If the fire alarm sounds continuously, or if you are instructed to do so, you must leave the building by the nearest available exit. You will be directed to the nearest exit by council staff. It is vital that you follow their instructions.

- You should proceed calmly; do not run and do not use the lifts;
- Do not stop to collect personal belongings;
- Once you are outside, please do not wait immediately next to the building, but move to the assembly point at Dullshot Green and await further instructions; and
- Do not re-enter the building until told that it is safe to do so.

East Surrey Shadow Authority Audit & Governance Committee
on 6 July 2026
in the Council Chamber, Epsom Town Hall

Members: (+present; -absent, apologies received)
-Tim Snuggs (Chair),
+Stephen McKenna (Vice Chair),
+Nick Abear,
+Alex Coomes,
+Eva Ferlez,
+Fran Fish,
-Lynne Fletcher,
+Wendy Gibbs,
+Nick Greenfield
+Joshua Lambert,
+Barry Maguire,
-Alan Parker,
+Jeremy Pursehouse,
+Andrew Stevens
+Jolanta Waugh,

Substitutes present:
+ Steve Bax as nominated substitute for Lynne Fletcher
+ David Lewis as nominated substitute for Alan Parker

1 APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors Tim Snuggs, Lynne Fletcher (with Councillor Steve Bax as nominated substitute), and Alan Parker (with Councillor David Lewis as nominated substitute).

2 DECLARATIONS OF INTEREST

No declarations of interest were made by Councillors in items on this agenda.

3 MINUTES OF THE PREVIOUS MEETING

The Minutes of the inaugural meeting of the Committee on 20 May 2026 were agreed as a true record and the Chair was authorised to sign them, subject to the following amendments:

- That Councillor Fran Fish be recorded as being present.
- That a correction to Councillor Joshua Lambert’s name be included.

4 AUDIT AND GOVERNANCE COMMITTEE TERMS OF REFERENCE

The Committee received and unanimously agreed to note its Terms of Reference as agreed by the Shadow Authority at its meeting of 20 May 2026 and as detailed in section 3-B5 of the Constitution.

5 APPROACH TO THE APPOINTMENT OF AN EXTERNAL AUDITOR FOR EAST SURREY COUNCIL

The Committee received a report setting out proposals for appointing the Council's external auditor for the accounts audit for the three-year period 2027/28 to 2029/30.

The report set out the options available for appointing an external auditor, including joining a national framework for the appointment of an independent auditor, establishing an independent auditor panel to make a stand-alone appointment for East Surrey or joining with another Local Authority to establish a joint independent audit panel to make the appointment.

The Committee heard that Surrey County Council and all eleven District and Borough Councils in Surrey currently opted into the 'appointing person' national auditor appointment arrangements, established by Public Sector Audit Appointments (PSAA) with current external audit contracts extending until the end of the 2029/30 accounts audit. The existing arrangements therefore covered the audit of the existing councils' accounts for 2026/27, the final year they would produce accounts.

To comply with the Council's duty under the Local Government Audit and Accountability Act 2014, it was necessary to appoint an auditor to audit the Council's accounts ahead of Vesting Day. The report recommended that East Surrey Council opt in to the national auditor appointment arrangements through PSAA (soon to become the Local Audit Office) for the period 2027/28 to 2029/30. The report identified that this would ensure consistency and ease of administration and would benefit from the economies of scale and oversight provided by PSAA.

The following matters were considered:

a) **Appointment duration.** In response to a question from a member, the Interim Chief Finance Officer informed the Committee that if the Council agreed to opt in to the PSAA approach, the auditors would be appointed for a 3 year period, up until the finalisation of accounts for 2029-30. If this was the case, the Council would next be asked to consider the process for appointing the external auditor before December 2029, to commence from 1 April 2030.

b) **Cost.** The report set out that PSAA set the core audit scale fee nationally, following consultation with opted in authorities, key stakeholders and other relevant bodies. Scale fees are published on the PSAA website. Fee variations may apply depending on changes in accounting and audit standards and the auditor's assessment of the level of audit work required at each Council, following audit planning and risk assessment and taking into account local circumstances. In response to a question from a member, the Interim Chief Finance Officer informed the Committee that the cost of external audit services for the new unitary councils was not yet known, but that using other recently formed unitary authorities, in areas such as Northamptonshire and Cumbria, as a comparison, it is expected that the combined fees for the East and West Surrey authorities (and a Combined Fire & Rescue Authority) would be less than paid currently across the 12 existing authorities.

c) **Capacity of external auditor.** In response to a question from a member, the Interim Chief Finance Officer informed the Committee that joining the PSAA Scheme would provide some mitigation against the risk of the external auditor having insufficient capacity to complete its audit functions.

d) **Modified/Disclaimed audit opinions of existing council's statement of accounts.** In response to a question from a member, the Interim Chief Finance Officer informed the Committee that the County Council and three District and Borough councils in East Surrey have published unqualified audited accounts for 2024/25 by the backstop deadline of 27 February 2026 and two District and Borough councils in East Surrey had modified/disclaimed audit opinions. If modified opinions were also received for the 2025/26 and / or 2026/27 statement of accounts then they would be inherited by East Surrey Council as part of opening balances as at 1 April 2027. The Committee was informed that the Finance Workstream of the Devolution and Local Government Reorganisation Implementation Team was working with the two authorities to develop an improvement plan to address the issues causing the modified opinions. There was not a formal risk register set-up for this matter yet, but it would likely form part of future risk registers.

e) **Benefits of PSAA option.** Members of the Committee expressed support for opting in to the PSAA option, noting that there were unlikely to be any financial or other benefits of selecting the alternative approach.

Regulation 19 of the Local Audit (Appointing Person) Regulations 2015 requires that a decision to opt in must be made by a meeting of the full Council.

Following consideration, the Committee unanimously agreed to recommend to East Surrey Shadow Council:

1. To opt in to Public Sector Audit Appointments (PSAA) sector-led option for the appointment of external auditors to principal local government and police bodies from 2027/28.

2. To authorise the Interim Chief Finance Officer, as the authorised officer, to sign and return the opt in notice to PSAA and s151 Officer for successor frameworks under the Local Audit Office.

6 FORWARD WORK PROGRAMME 2026-27

The Committee received and unanimously agreed to note it’s forward work programme for 2026-27. In noting the work programme, the Committee also noted a correction to the wording of the Remit/Scope for the first 2 items listed upon it, which were as follows:

Replace the words “West Surrey” with the words “East Surrey”.

The meeting concluded at 2.37 pm

Officers in Attendance:
Nikki O'Connor, Interim Chief Finance Officer (s151 Officer)
Tim Richardson, Democratic Services Manager
Dan Clackson, Democratic Services Officer

EAST SURREY SHADOW AUDIT AND GOVERNANCE COMMITEE

MEETING DATE: 2nd September 2026

REPORT OF: Nikki O'Connor, Interim Chief Finance Officer (s151 Officer)

SUBJECT: East Surrey Constitution: Financial Procedure Rules & Procurement and Contract Procedure Rules

Purpose of the Report:

This report presents early sight of both the Finance and the Procurement and Contract sections of the new Constitution for East Surrey and invites comments on the draft and principles, ahead of finalising and bringing back to this Committee for final consideration.

Section 9P of the Local Government Act 2000 requires every local authority to prepare, maintain, and keep up to date a formal constitution. This document controls how the local council operates, makes decisions, and handles its governance. The sections relating to Finance and to Procurement and Contracts set out:

- How the Council governs the manner in which the financial activity is conducted and ensures its financial interests are safeguarded; and
- How the Council authorises and manages expenditure and resulting commercial contracts with other organisations.

It is therefore essential that East Surrey Council has an agreed Constitution in place in time for vesting day on 1st April 2027, and that the detail of the finance and the procurement and contract elements of that Constitution are agreed in time to establish required process and controls ahead of vesting day.

Recommendations:

It is recommended that the East Surrey Shadow Audit and Governance Committee resolves to:

1. Agree the proposed approach and details provided in respect of the Finance Procedure Rules;
2. Comment on the draft Finance Procedure Rules in **Annex 1: Draft Finance Procedure Rules for East Surrey Council**;
3. Agree the proposed approach and details provided in respect of the Procurement and Contract Procedure Rules;
4. Comment on the proposed heads of terms set out in **ANNEX 2: Proposed Procurement and Contract Procedure Rules Structure and Content Framework;**

5. Comment on the required key governance thresholds and related detail set out in **ANNEX 3: Proposed Thresholds, routes to market, delegation of authority for contract award etc**; and
6. Note that a further report will be brought to the November meeting of the Committee with final versions of all documents for recommendation to the Shadow Authority via the Constitution Committee.

Reason for Recommendations:

It is a legal requirement for East Surrey Council to have an approved Constitution in time for Vesting Day. Officers are requesting steer from Members, at this early stage, to inform the ongoing development of the Finance and Procurement and Contract sections of the Constitution.

Options, including alternatives (if any)

None – comment is required to support the development of the procedure rules.

Summary:

Context

1. Local Government Reorganisation (LGR) and the formation of the new unitary authority of East Surrey requires the development of a new Constitution. That Constitution must contain key governance procedures in respect of finance, and the procurement and management of contracts. This report therefore sets out the approach, principles and some proposed details in respect of the following sections of the Constitution:
   - Finance Procedure Rules
   - Procurement and Contract Procedure Rules

2. **Finance Procedure Rules: Approach**

3. An exercise was undertaken to analyse the similarities and differences between Financial Regulations/Procedure Rules from the existing 12 councils in Surrey, as well as from existing unitary authorities outside of Surrey. A set of Financial Procedure Rules have been drafted based on this analysis, which cover all the activities that will be undertaken by East Surrey Council. These have been written and organised in a clear manner to ensure that all Members and Officers of the Council understand their role and responsibilities in relation to good financial management.

4. The draft proposed Financial Procedure Rules for East Surrey Council are included in **Annex 1:** Draft Financial Procedure Rules for East Surrey Council.

5. This document is currently in a draft form as there are still activities to be completed that will require updates to be made before the final version, including:
    a. Any job titles referenced in the document have currently been left as generic titles, as the final staffing structure of East Surrey Council is yet to be agreed. Titles and roles will be updated as more information becomes available.
    b. The names of policies, procedures and sections of the constitution which are referenced in the Financial Procedure Rules will have their titles and links updated as they become available and are finalised.
    c. Where decisions are yet to be made on contract arrangements or financial thresholds, these have been left blank or marked TBC. They will be updated based on further activity to be undertaken before these procedures are finalised.

6. Decisions yet to be taken:

    FR 5.2 Budget approval levels

    FR 7.2 Virement approval levels

    FR 11.3 Approval levels for increasing reserves

    FR 18.2-4 Approach for hiring consultants and contractors

    FR 23.1 Approval levels for debt write-offs

    FR 23.7 Number and type of provisions for bad debt

    FR 24.1 Level of delegated authority for land and buildings purchases

Procurement and Contract Procedure Rules: Proposed Approach

7. Many current constitutional procurement and contract rules have evolved over a considerable period through incremental amendments in response to legislative changes, organisational requirements and local governance decisions. As a result, they can become lengthy, repetitive and difficult for officers to navigate, with related provisions dispersed across multiple sections.

8. A new Constitution presents an opportunity to create a fresh set of Procurement and Contract Procedure Rules to govern the procurement and management of contracts, rather than simply amending or combining existing documents from across the County and District and Borough Councils.

9. It is recommended that the Procurement and Contract Procedure Rules for East Surrey Council are developed using a clear and logical structure that reflects the procurement and contract management lifecycle. This approach should guide officers through the end-to-end process, from the identification of

a requirement and initial business planning, through procurement and contract award, to contract management, performance monitoring, modification and eventual contract expiry or renewal.

10. The Procurement and Contract Procedure Rules should focus primarily on governance, accountability, decision-making and assurance arrangements, whilst detailed operational processes, procedures and guidance are maintained separately within supporting procurement documentation. This will ensure that the constitution remains concise, accessible and easier to maintain, whilst allowing operational procurement guidance to evolve in response to legislative changes and best practice without the need for frequent constitutional amendments.

11. The proposed drafting approach is therefore to:

- Adopt a procurement and contract lifecycle-based structure rather than replicate the format of any individual authority;
- Retain governance, delegation, approval and assurance requirements within the Procedure Rules;
- Remove detailed procedural content where it is more appropriately contained within supporting procurement guidance;
- Incorporate best practice elements identified through the review and comparison of existing local authority standing orders and benchmarking exercise;
- Align the Procedure Rules with current procurement legislation and associated governance requirements; and
- Create a modern, user-focused document that supports consistent, compliant and proportionate procurement activity within the future authority.

12. This approach will provide a coherent constitutional framework for procurement activity whilst improving usability for officers and ensuring that governance requirements are clearly understood at each stage of the procurement lifecycle.

13. A proposed structure is included in **Annex 2: Proposed Procurement and Contract Procedure Rules Structure and Content Framework**.

Procurement and Contract Procedure Rules: Governance Decisions

14. There are critical governance elements that must be agreed in order to draft the Procurement and Contract Procedure Rules, with the key aspect being value thresholds that will dictate:

- What procurement route options can be used (e.g. 3 quotes, full tender etc);
- Who is authorised to undertake the procurement;

- The type of contract required;
- Who must approve the contract award; and
- Who is authorised to sign the contract.

15. A benchmarking exercise is underway to assess similar governance elements in comparator authorities. The table below sets out some of that data in respect of the value at which Procurement must undertake the work to put a contract in place in these authorities. This work will continue to be developed and be used to facilitate further engagement and discussion relating to of the appropriate value at which to set this requirement within the new Procurement and Contract Procedure Rules.

Table 1: Benchmarking summary data: Contract value above which Procurement must undertake work at comparator authorities

Authority	Applicable values above which Procurement must undertake work
East Surrey Unitary Authority	N/A - tbc
Surrey County Council	£25k
Hampshire	Above regulatory threshold (+ high risk / complex procurements)
Kent CC	Goods & Services - Above regulatory threshold Works - £1M
West Sussex CC	£100k - £1M Lower value processes are supported by procurement and are QA'd at each gate, with direct support by on large/complex tenders. Consideration being made to raising to regulatory thresholds
North Northamptonshire	£100k
West Northamptonshire	£100k

STAR Procurement (Greater Manchester and Merseyside partnership)	£25k In process of raising to £50k

Notes: Regulatory threshold currently £207,720 inc VAT for Goods and Services procured under Procurement Act 2023. Other thresholds apply for different items and legislative routes.

16. Based on the estimated volumes of contracts East Surrey would have to procure each year at various value ranges, and using the current Surrey County Council volumes and threshold as a comparator, the volumes of contracts required at various value ranges would be as follows:

Table 2: Volumes of contracts per year at varying value ranges

	SCC Comparator (volume / year)	**East Surrey Estimate (volume / year)**
Goods and Services		
£25k - £49k	243	326
£50k - £99k	205	235
£100k – reg threshold	148	155
Above reg threshold (£207,720)	88	86
Works		
>£1M	5	9

Notes:

- East Surrey estimate calculated as a proportion of SCC comparator + East District and Borough Councils' volumes.
- Volumes based on current levels of activity and contract values; LGR presents opportunities for aggregation of contract values and will therefore, over time, impact the volumes at different value levels.
- Figures may be refined over time as benchmarking and data gathering and analysis develops.

17. **ANNEX 3: Proposed thresholds, routes to market, delegation of authority for contract award etc** sets out the decisions to be made regarding governance points for the value ranges once the ranges are determined.

18. Ongoing discussions will be required to determine the contract value above which Procurement must undertake the work to secure a contract and these additional governance points. The following considerations apply:

- Further work needs to be undertaken to estimate current levels of non-compliant spend (e.g. spend without a contract, or where a contract has not followed existing governance and/or regulatory requirements);

- The benchmarking exercise will continue to provide more complete information relating to comparator authorities;
- The Local Government Association (LGA) Model Template for Standing Orders is out of date and still referenced EU procurement regulations so has not been used as a source of information.
- Chief Officer and Member engagement will continue as the details of the Procurement and Contract Procedure Rules are developed.
- **Consultation:**

19. The proposed approach to developing these Procedure Rules has been developed in collaboration with Officers from the Procurement and Finance LGR workstreams, Shadow Authority Interim Statutory Officers and related stakeholders.

Risk Management and Implications:

21. The principal risk is that the Council does not have a comprehensive set of Finance Procedure Rules and Procurement and Contract Procedure Rules in time for Vesting Day, which would put it in contravention of Section 151 of the Local Government Act 1972.

22. In addition, there is various legislation relating to procurement activity, in particular the and the Procurement Act 2023 and the Public Services (Social Value) Act 2012, that govern how local authorities procure goods, services and works. Failure to have robust Procurement and Contract Procedure Rules in place in time for vesting day would put the authority's ability to comply with this legislation at risk.

23. These risks can be best mitigated by continuing to develop the procedures according to the approaches set out above.

Financial and Value for Money Implications:

24. There are no direct financial implications arising from the proposed action. However, the proposed documents are important for maintaining compliance with financial and procurement regulations, and ensuring the new unitary authority has sufficient controls and governance to minimize the risk of financial loss. This will ensure that value for money is embedded as a core value of the new authority.

Section 151 Officer Commentary:

25. East Surrey Council will operate in a very challenging financial environment, with significant budgetary pressures from increasing demand and costs of service delivery, coupled with limited financial resources and reducing government funding. East Surrey Council will be increasingly reliant on Council Tax as the primary source of income.

26. Decisions made by the sovereign councils in East Surrey and the East Surrey Shadow Authority will need to consider the ongoing financial impact and ensure that expenditure does not exceed the resources available. It is vital that significant importance is placed on effective financial management and medium-term financial sustainability to achieve a balanced budget position and protect service delivery

27. Having robust Financial, and Procurement and Contract Procedure Rules will contribute to a culture of strong financial management and budget accountability, encouraging good financial decision-making and value for money.

Legal Implications (Monitoring Officer Commentary):

28. The statutory and regulatory requirements are set out within the body and financial sections of this report. The governance route for approval of the final Financial Procedure Rules and Procurement and Contract Procedure rules is set out below, with a further report to be brought to the November meeting of the Committee with further developed final drafts of both documents. This process complies with the Shadow Authority Constitution and the Surrey (Structural Changes) Order 2026.

Workforce Implications (People/Human Resources Commentary)

29. There are no direct workforce implications arising from this report at this stage. The report seeks the Committee's views on the proposed approach to developing the Financial Procedure Rules and Procurement and Contract Procedure Rules for East Surrey Council, rather than approval of final operational arrangements.

30. As the procedure rules are developed, there will be workforce implications to consider in relation to officer roles, responsibilities, delegations, decision-making routes and the capacity required to operate the new arrangements effectively from Vesting Day. This will include ensuring that relevant officers understand the new requirements and have access to appropriate guidance, training and support.

31. The proposed approach should help provide clarity for officers by setting out clear governance arrangements and by separating constitutional requirements from more detailed operational guidance. Further workforce implications,

including any impact on roles, responsibilities or capacity, will be considered as the detailed rules and supporting guidance are developed and brought forward for approval.

Equality and Diversity:

32. There are no equality impacts arising directly from this report. However, the council's equality duty and equality impacts are considered in relation to each individual procurement or applicable financial transaction undertaken.

Climate Change and Sustainability:

33. There are no climate change and sustainability impacts arising directly from this report. However, sustainability and related considerations will be taken at the time any applicable individual procurement or financial transaction undertaken.

What Happens Next:

34. Based on the recommendations of the committee, officers will proceed with drafting final versions of both documents to be brought to Audit and Governance Committee in November, Constitution Committee in December and then the Shadow Authority in January.

Report Authors: Georgina Mistry, Senior Finance Business Partner and Anne Epsom, AD Procurement, LGR Procurement and Contract Theme - Governance Workstream Lead

Annex:

ANNEX 1: Draft Finance Procedure Rules for East Surrey Council

ANNEX 2: Proposed Procurement and Contract Procedure Rules Structure and Content Framework

ANNEX 3: Proposed Thresholds, routes to market, delegation of authority for contract award etc

Sources/background papers:

none

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ANNEX 1: Draft Finance Procedure Rules for East Surrey Council

Financial Procedure Rules for East Surrey Council

Introduction

Financial Procedure Rules provide a framework within which all staff can carry out their responsibilities in an open and consistent manner. They outline the financial responsibilities of all officers and members of the Council, and have been designed to promote and maintain the high standards expected of the public sector in dealing with financial and other resources financed from taxation by:

- placing clear accountability with officers appointed to manage resources;
- and establishing key principles and processes which they should follow, supported by detailed operating arrangements approved by the Section 151 Officer.

Section 151 of the Local Government Act 1972 requires local authorities to plan for the proper administration of their financial affairs and appoint a Chief Finance Officer (**Section 151 Officer**) to have responsibility for those arrangements.

Whilst responsibility for the administration of the Council's financial affairs lies with the Section 151 Officer, all individuals engaged in Council activities are responsible for financial governance, ensuring that their actions comply with Financial Procedure Rules.

Executive Members and **Executive Directors** hold a dual role to ensure that strategic policies and priorities are delivered within resources and meet all fiduciary responsibilities, recommendations to Council are deliverable and that they support Budget Managers to spend within the Budget Envelopes.

The **Accountable Budget Officer (ABO)** (Executive Directors, Service and Assistant Directors, Heads of Service and other officers deemed to be Senior Officers) has overall accountability for a group of budgets. The ABO is ultimately accountable for ensuring effective planning and management of their budgets to deliver their service priorities within the agreed budget envelope. The ABO signs an annual Budget Accountability Statement and is responsible for ensuring efficiency plans are in place and for delivery of those efficiency plans.

A **Budget Manager** has day to day responsibility for the management of the budget of one or a group of services or projects under the oversight of an ABO. Their key responsibility is to make best use of financial resources through good planning and management, taking corrective action where required. They may be responsible for enacting the efficiency plans under the oversight of the ABO.

All officers with responsibility for undertaking financial duties are required to comply with these rules. The Section 151 Officer is, in turn, accountable to Council. The Financial Procedure Rules and supporting documents are reviewed annually and will be developed further in line with any cultural changes and transformation plans the Council is working towards.

Locally managed schools have their own financial governance and rules, which are set out in the East Surrey Scheme of Financing Schools and the Schools' Finance Manual.

The Financial Procedure Rules should be read in conjunction with the Council's:

- Anti-Fraud and Corruption Strategy and Framework
- Business Continuity Plan Guidance
- Risk Management Strategy
- Whistle blowing Policy
- Procurement and Contract Standing Orders

FINANCIAL PROCEDURE RULE 1 - SCOPE OF FINANCIAL PROCEDURE RULES

FR1.1 The Financial Procedure Rules are binding on all Council members and officers, including contractors, agency staff, and anyone acting on behalf of the Council, including elected members.

FR1.2 Financial Procedure Rules are part of the Council's Constitution. The relevant parts of the Constitution are Part TBC (Finance, Contracts and Legal Matters), Part TBC (Responsibility for Functions and Scheme of Delegation), and Part TBC (Standing Orders). Financial Procedure Rules may only be amended by Full Council.

FINANCIAL PROCEDURE RULE 2 - ROLES AND RESPONSIBILITIES

Council

FR2.1 Council members, acting as the Full Council, are responsible for approving:

- Overall policy framework
- Medium Term Financial Strategy
- Annual Revenue and Capital Budgets
- Prudential Indicators for treasury management
- Limits on virements between budgets
- Capital Strategy
- Investment Strategy
- Treasury Management Strategy
- Annual Housing Revenue Account Budget
- Housing Revenue Account 30-year-plan

Executive

FR2.2 The Executive is responsible for proposing the policy framework and budget to the Full Council and for the discharge of executive functions in accordance with it. Decisions can be delegated to individual executive members or officers in line with the Scheme of Delegation.

Section 151 Officer

FR2.3 The Section 151 Officer's role and responsibilities are set out in statute and are governed by (but not restricted to):

- Section 151 of the Local Government Act 1972;
- Section 114 of the Local Government Finance Act 1988;
- Local Government and Housing Act 1989;
- Local Government Act 2003; and
- Accounts and Audit Regulations 2015.

FR2.4 All financial procedures and records shall be subject to his/her approval. Under The Accounts and Audit Regulations, the Section 151 Officer is responsible for the financial management of the Council, sound systems of internal control, risk management, and at least once in a year, a review of the effectiveness of the system of internal control.

FR2.5 The Section 151 Officer will determine the administrative and accounting arrangements for the housing revenue account subject to all relevant statutory provisions and any guidance issued by the Ministry of Housing, Communities and Local Government (MHCLG).

FR2.6 The Section 151 Officer will provide guidance on the apportionment of support and overhead costs between the general fund and housing revenue account. Any apportionment of costs must be fair to both council tenants and council taxpayers.

FR2.7 The Section 151 Officer is responsible for ensuring any borrowing for housebuilding is undertaken in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code of Practice and the Council's approved prudential borrowing indicators.

FR2.8 The Section 151 Officer is responsible for the day-to-day management of the Council's financial affairs. They shall provide information and assistance to all officers to help them carry out their responsibilities for effecting the sound financial management of their services.

FR2.9 The Section 151 Officer shall report to members on the overall budget performance and recommend corrective action as and when required. They shall ensure, as far as practicable, Financial Procedure Rules and supporting policies protect the Council against any unlawful financial transactions or actions.

FR2.10 The Section 151 Officer must be given access to any necessary information to comply with his/her statutory duties.

FR2.11 The Section 151 Officer will ensure that procedures are documented and made available to users for those financial systems identified as business critical.

FR2.12 The Section 151 Officer shall, after consultation with the Chief Executive, report any non-compliance with these Rules which they consider substantial. The report shall be made initially to the Leader and, following that, to the relevant Committee depending on the circumstances.

FR2.13 The Section 151 Officer can nominate a Deputy Section 151 Officer or Officers that have the same role and responsibilities in the absence of the Section 151 Officer.

Senior Officers (Chief Executive, Executive Directors, Service and Assistant Directors, Head of Service, other designated officers)

FR2.14 Senior Officers have individual and collective responsibility to ensure that the Seven Principles of Public Life ie. The Nolan Principles, are applied in all matters relating to financial activity of the council. These are: selflessness, integrity, objectivity, accountability, openness, honesty and leadership.

FR2.15 Senior Officers of East Surrey Council have overall accountability for their revenue budgets and are ultimately accountable for ensuring effective planning and management to deliver service priorities and outcomes within the agreed budget envelope, whilst reporting any variations and working to rectify them as soon as possible. Annually Senior Officers, known as Accountable Budget Officers, are requested to acknowledge their responsibilities and budget remit for both revenue and capital. Budget Accountability Statements (BAS) are produced before the commencement of the financial year and require confirmation of the accountabilities and the budget envelope.

FR2.16 Senior Officers may delegate day to day management to a Budget Manager in his/her directorate or service, provided that a list of officers so authorised shall be supplied to the Section 151 Officer. Although day to day management of a budget may be delegated, responsibility and accountability remain firmly with Senior Officers. Effective management of resources is a fundamental requirement of managers and failure to manage budgets will be investigated under the disciplinary procedure. Persistent or significant failure could constitute gross misconduct.

FR2.17 Senior Officers shall propose annual revenue and capital budgets for each service within the budget guidelines agreed by the Executive.

Budget Managers

FR2.18 Budget Managers should make all relevant staff aware of these rules (and associated documents) and highlight the relevance and compliance of the rules to team members.

FR2.19 Budget Managers are accountable for their budget areas and to make arrangements for managing income and expenditure and ensure value for money in service delivery. Budget Managers are responsible for taking action to recover and to report on any budgetary variances, and for reporting to Senior Officers if there is a possibility that budgets may be overspent. Effective management of resources is a fundamental requirement of Budget Managers and failure to manage the budget properly will be investigated under the Council’s disciplinary procedure.

FR2.20 Budget managers are responsible for the budget narrative that informs the monthly reports to Directorate Leadership Teams (DLT), the Corporate Leadership Team (CLT) and to members. Finance officers are available to support this process.

FR2.21 Senior Officers and Budget Managers are responsible for ensuring that all staff, contractors, agency workers in their directorates, anyone acting on behalf of the Council and elected members are aware of the existence and content of the Council’s Financial Procedure Rules and other internal regulatory documents and that they comply with them. They must also ensure that there is adequate availability of and access to the current version of Financial Procedure Rules.

FINANCIAL PROCEDURE RULE 3 - INFORMATION AFFECTING THE COUNCIL'S FINANCES

FR3.1 Where a matter arises in any Directorate which could materially affect the Council's finances, other than a matter already approved, Senior Officers shall consult the Section 151 Officer before any provisional expenditure is incurred or any commitment given.

FR3.2 All Executive reports shall contain a section dealing with the financial implications of the matter(s) covered by the report and shall be submitted to the Section 151 Officer, who shall satisfy himself/herself that the financial information is comprehensive and accurate before the report is finalised and published. Other committee reports that contain financial implications should follow the same process.

FINANCIAL PROCEDURE RULE 4 - PREPARATION OF FINANCIAL PLANS

FR4.1 The Section 151 Officer, in consultation with the Chief Executive, shall advise the Executive each year on the timescales and procedures to be adopted for the formulation of all Financial Plans including the Medium Term Financial Strategy, Annual Revenue Budget, Capital Strategy, Investment Strategy, Capital Programme, Treasury Management Strategy and a Housing Revenue Account Business Plan. The executive shall agree a timetable which will include stages for consultation with Overview & Scrutiny and appropriate Select Committees and other appropriate stakeholders. Members will be actively involved in scrutiny of budget proposals ahead of submission to the Executive and Council, and subsequently in the monitoring of progress.

FR4.2 Senior Officers shall adhere to the agreed timescales and procedures in providing the information required to enable the preparation of Service Development and Financial Plans.

FR4.3 In accordance with the agreed timescales, the Section 151 Officer shall submit a report to the Executive, taking account of the views of appropriate committees, with the information required to enable the Executive to recommend a Capital Strategy and Programme, Revenue Budget and Council Tax for the following financial year to Council. The report will comment on the robustness of the budget proposals submitted for approval in compliance with the requirements of Section 25 of the Local Government Act 2003.

FR4.4 The responsibilities of Senior Officers are set out in the Budget Accountability Statement (BAS). Any additional expenditure not already included in the existing Revenue Budget must be found from corresponding savings/efficiencies in other areas.

FR4.5 Senior Officers, in consultation with the Section 151 Officer, shall make appropriate arrangements for the effective identification, progression and management of external funding and partnership opportunities (there after referred to as “funding opportunity”) applicable to their service area.

FR4.6 All bids for a funding opportunity for externally funded schemes shall be made in consultation with the Section 151 Officer or his/her deputy before a bid is submitted. Proper allowance must be made for work which will have to be undertaken by all other services/directorates to implement the scheme and all costs which must be met by the Council, in consultation with the appropriate Senior Finance Manager. Some applications may require member approval, as set out in the Constitution, particularly where the Council is entering into contractual arrangements. Costings in funding bids should, wherever possible, include direct, indirect, and overhead costs, using the Commercial Rate Card as a guide.

FR4.7 All officers engaged in the progression of such schemes shall adhere to these Financial Procedure Rules, the Council's Procurement Rules and any other directions or instructions given by the Council. Where the Council has been defined by the funder as the Accountable Body for a scheme, Financial Procedure Rules applies equally to the staff of any partnering organisations in respect of the scheme.

FR4.8 Where a third party works in partnership with the Council in delivering an externally funded project, officers must ensure that a third-party agreement is in place which reflects the terms and conditions of the funding agreement between the Council and the external funder. The responsible officer shall ensure that the third-party complies with the third-party agreement to safeguard the Council's position regarding compliance with its agreement with the funder. For all significant arrangements, the advice of the Monitoring Officer should be taken on the form and content of any agreement.

FR4.9 Further guidance on preparation of financial plans timescales and procedures, submission and monitoring of capital schemes, roles and responsibilities, and funding proposals and process can be sought from the appropriate Senior Finance Manager.

FINANCIAL PROCEDURE RULE 5 - AUTHORITY TO INCUR REVENUE EXPENDITURE

FR5.1 Budget Managers are authorised to incur expenditure up to the amounts included in their approved budget. Budget managers are ultimately accountable for the spending within their budget areas. Although day to day budget management may be delegated to other budget managers, the responsibility for financial approval must remain with the budget manager in line with the workflows built into the General Ledger and Procurement Standing Orders.

FR5.2 The Section 151 Officer shall update budgets to reflect approved variations agreed by the Executive. In addition, they shall approve amendments and update the Revenue Budget in accordance with Financial Procedure Rule 6.

Officer	TBC
Budget Holder	TBC
Level 5 Service Manager	TBC
Level 4 Assistant Director	TBC
Level 3 Director	TBC
Level 2 Executive Director	TBC
Executive Members and Chief Executive	TBC

FR5.3 Overspending against the approved budget is not permitted. However, a situation may arise which requires expenditure to be incurred as a matter of such urgency that there must be no delay. If there is no, or insufficient, budget provision available, the Budget Manager should, in consultation with the relevant Senior Officer and Section 151 Officer obtain the necessary goods, and/or works, and/or services. The additional expenditure should be met by virement in accordance with Financial Procedure Rule 7.

FR5.4 The Section 151 Officer or deputies approve any non-redundancy related settlement claims (not covered by FR5.5) over £TBC; otherwise, the appropriate Senior Finance Manager. will approve.

FR5.5 The approval of special severance agreements and non-special severance and, redundancy applications (e.g. compulsory and voluntary redundancy, ill health retirement and compensation for an injury at work payments) are covered within the Scheme of Delegation Section 3 Part A.

FINANCIAL PROCEDURE RULE 6 - FINANCIAL MONITORING

FR6.1 Senior Officers shall comply with the outlined roles and responsibilities and the Budget Accountability Statement (BAS). Individual budgets may be delegated to Budget Managers/Budget Holders within the directorate; however, Senior Officers maintain overall responsibility and are accountable for managing the budgets in compliance with the Budget Accountability Statement.

FR6.2 Senior Officers are responsible for delivering services within the allocated budget. It is not acceptable to overspend, and mismanagement of the budget may lead to disciplinary action.

FR6.3 Senior Officers and Budget Managers are responsible for delivering the savings/efficiencies identified within their assigned budgets.

FR6.4 Budget Managers shall provide accurate forecast returns in accordance with the budget monitoring timetable. Any overspends against a single budget line must be met by a saving elsewhere within the budget. If an overall unavoidable overspend is likely to occur, the Budget Manager must notify the appropriate Senior Officer and Senior Finance Manager and provide a detailed explanation of why the overspend is truly unavoidable. Any underspends should also be reported early, as these may be required to offset unavoidable pressures elsewhere.

FR6.5 The monthly forecast returns should provide coherent and detailed explanations which support the reported figures activity levels for budget variances, highlight potential budget problems progress on management actions and outline the impact on future budgets.

FR6.6 On behalf of Senior Officers, Assistant Directors of Finance will present monthly monitoring reports to DLTs. The Section 151 Officer will present a consolidated monthly monitoring report to CLT.

FR6.7 Using a risk-based methodology, regular financial monitoring reports shall also be prepared and submitted, in the agreed format, to DLT, CLT and the Executive as a standing agenda item on a monthly basis.

FINANCIAL PROCEDURE RULE 7 - VIREMENT OF REVENUE BUDGETS

FR7.1 Budget approval gives Budget Managers the right to incur expenditure on behalf of the Council. Budget Managers may vire between their budget headings within the constraints outlined in the Financial Procedure Rules, in consultation with the appropriate Senior Finance Manager. Virements should not be used to adjust for under/overspends on various headings but only where a definite decision has been taken to change approved spending plans.

FR7.2 Revenue virements resulting from a change in policy or priorities (either within the same portfolio or between portfolios) will be subject to the following approval:

Amount	Minimum approval required
Up to and including £TBC	TBC
In excess of £TBC, but no more than £TBC	TBC
More than £TBC	TBC
Any amount where the movement is between the General Fund and the Housing Revenue Account	TBC

FR7.3 Exceptions to the virement rules are as follows:

Member approval is not required where a budget will continue to be used for the approved purpose but is being moved, for example, to reflect a change in budget holder responsibilities. Such transfers will however require the approval of a Finance Director and the relevant Assistant Director(s) of Finance.

Member approval is not required for budget movements arising in order to comply with the CIPFA Service Expenditure Reporting 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 Manager and/or a Finance Director.

FR8 – FEES AND CHARGES, COMMERCIAL ACTIVITIES

FR8.1 The Section 151 Officer shall issue guidance to all Directorates on the indicative levels of increase in fees and charges for services to ensure that as far as possible a common approach to charges and revisions of charges is adopted across the Council subject to cost recovery requirements set out in FR8.2.

FR8.2 Senior Officers and Budget Managers will conduct an annual review of all fees and charges, in consultation with the appropriate Senior Finance Manager, as part of the annual budget setting process. The purpose of the review would be to ensure that:

- Charges are set with the intention to recover the full cost of provision of each service.
- Any deviations should be agreed in accordance with FR8.4;
- Chargeable discretionary services are not subsidised without a specific supporting policy decision; and the level of subsidy for chargeable statutory services is recorded.

The annual review will encompass a review of the budgeted income generation, direct costs and allocated costs per the Rate Card, associated benchmarking comparatives, any changes to the local economy and any changes in legalisation to statutory services.

FR8.3 Each Directorate will supply to Finance Senior Management Team (FSMT) a list of fees and charges highlighting changes to the fee or charge, and comparative change from year to year. FSMT will consider whether any fees and charges are commercially sensitive, or politically high priority to define whether the change requires approval by the Executive or noting.

FR8.4 Once the fees and charges (discretionary and statutory) annual review has been conducted and reviewed by FSMT, within the annual budget setting timeline, the following table provides the approval and publishing delegation:

Change:		**Existing fees and charges**			**New fees and charges**
	in line with guidance or rounding[2],	increase higher than issued guidance	Under or over recovery of costs**	part of a high priority schedule	
Approved by:	Budget Managers	Relevant Executive Member			
In consultation with:	Appropriate Senior Finance Manager	Finance Senior Management Team			
Published in:	Noted within the Executive Budget Report *	Approved by the relevant Executive member (in year changes) or within the Executive Budget Report *			

*or within another Executive report before the start of the new financial year. If commercially sensitive, the individual fees and charges would be considered for Part 2 Committee report
**see FR8.5 for costs recovery requirements.

FR8.5 In determining charges for discretionary services, the cost of providing the service should be calculated and fees charged to the service user in order to recover all direct, indirect and overhead costs, as well as current service costs, incurred by the Council in the delivery of the service and in compliance with relevant legislation. See FR8.7 regarding exceptions. Where relevant, the cost of chargeable officer time should be used as calculated by corporate finance in the Commercial Rate Card (updated annually). Senior Officers should liaise with the appropriate finance officer in relation to the proposals. Finance officers must wherever possible prevent an unintended subsidy of discretionary services through the under-recovery of indirect and/or ancillary costs incurred in the delivery of discretionary services.

FR8.6 As part of the annual review of fees and charges, Senior Officers shall also examine the possibility of introducing charges for services where no charges are currently made. This will be undertaken in consultation with Legal Services.

FR8.7 Some fees and charges may be based on part cost recovery, subject to a supporting policy decision regarding subsidy (FR8.2). Reasoning and evidence should be provided to show why the charging of full cost would be detrimental to policy aims and that no alternative provision model is available or feasible. Non-recovery of current service costs does not require approval beyond Budget Managers.

FR8.8 Where charges are assessed according to ability to pay, Senior Officers may plan for the charges to be reduced in accordance with an assessment methodology approved by the Executive.

FR8.9 Housing rents should be set and increased annually in line with the Council's rent policy, relevant tenancy agreements, and guidance issued by the Regulator of Social Housing.

Subsidiaries of the Council

FR8.10 Revenue and capital expenditure by subsidiaries is the responsibility of the respective company Boards. Expenditure that is above thresholds set in the respective companies' Articles of Association will be approved by the Council's Shareholder Investment Panel, and additionally by the Strategic Investment Board if greater than £1m in value.

FR8.11 Approval of business plans, oversight of business performance, and other governance matters relating to subsidiaries and other investments will be provided by the Strategic Investment Board, supported by the Shareholder Investment Board and the Asset Strategy Board.

FINANCIAL PROCEDURE RULE 9 - COUNCIL TAX AND NATIONAL NON-DOMESTIC RATES

FR9.1 The setting and collection of council tax and non-domestic rates is determined by legislation. The Council will set the annual rate of council tax by dividing the total council tax requirement by the council tax base. The Council may also apply specific levies to fund designated services if permitted by legislation. Other bodies in East Surrey including parish and town councils, and the Surrey Fire and Rescue Commissioner may raise a precept on the council tax bills raised by the Council.

FR9.2 The Section 151 Officer is responsible for determining the administrative and accounting arrangements for the Council Tax collection fund. This includes approving the Council Tax base estimates.

FR9.3 As a billing authority, the Council will apply the relevant multiplier to the rateable value of each business property.

FINANCIAL PROCEDURE RULE 10 - CARRY FORWARD OF UNSPENT BUDGETS

FR10.1 The carry forward of unspent provisions in the Revenue Budget from one financial year to the next is not permitted except with explicit approval of the Section 151 Officer, in consultation with the Leader of the Council and the Executive Member for Finance.

FR10.2 The Section 151 Officer shall, as soon as is practicable, supply a detailed list of the items and amounts approved to Senior Officers and Budget Managers. The Section 151 Officer will report specific items to members within the overall outturn report.

FR10.3 Year end balances will be transferred to and from reserves by the Section 151 Officer, in line with the Council's Reserves Policy, and with the approval of the Executive.

FINANCIAL PROCEDURE RULE 11 – RESERVES

FR11.1 Reserves will be set by the Council each year as part of the budget setting process. The Section 151 Officer will advise the Executive and Council on the prudent level of reserves and balances, considering prevailing and anticipated levels of risk and uncertainty.

FR11.2 The creation of any reserve will be subject to the approval of the Executive, upon the advice of the Section 151 Officer. For each reserve established, the purpose, and usage will be clearly articulated.

FR11.3 Increases in existing reserves come about through two routes: Through the budget setting process, the setting of which requires Full Council approval; and by transfer of an underspend into reserves in accordance with the table below:

Amount	Minimum approval required
TBC	Executive Director (following consultation with deputy S151 Officer(s))
TBC	Executive Director (following consultation with S151 Officer and relevant Executive member(s))
TBC	The executive (following consultation with relevant Executive member, Executive Director and S151 Officer (if not already involved))

FR11.4 The Section 151 Officer shall be authorised to draw upon reserves for the agreed purposes of that reserve, subject to provision remaining available.

FINANCIAL PROCEDURE RULE 12 - AUTHORITY TO INCUR CAPITAL EXPENDITURE

FR12.1 The Council's approach to capital investment is set out in the Council's Capital Investment and Treasury Management Strategy, which is approved by Council as part of the budget setting papers each February. New schemes and projects will usually only be added to the Capital Programme as part of the annual budget setting process, however, changes, capital virements and additions may be made during the year, subject to one of three decision-making structures:

Capital expenditure relating to equity investments or investment property will be subject to assessment by the officer-led Shareholder Investment Panel, the Asset Strategy Board and ultimately approved by members at Strategic Investment Board.

Capital expenditure by subsidiaries is the responsibility of the respective company Boards. Expenditure that is above thresholds set in the respective companies' Articles of Association will be approved by the Council's Shareholder Investment Panel, and additionally by the Strategic Investment Board if greater than £1m in value. All other capital expenditure will be subject to assessment by the appropriate Strategic Capital Group; for Information Technology, Infrastructure and Property, the Capital Programme Panel and formal member approval, where required by the Scheme of Delegation.

FR12.2 Capital expenditure other than on equity investments and investment property is subject to a governance route based on value and an assessment of impact and risk. New capital schemes and projects and changes to existing schemes and projects are assessed and scrutinised in up to three stages prior to being included in the Capital Programme:

- Senior Finance Manager or their nominated officer for Information Technology, Infrastructure and Property.
- Strategic Capital Groups, comprising the Head of Service or their nominated officer and Senior Finance Manager. Strategic Capital Groups can make decisions on new approvals of up to £TBCm, or approve existing schemes where the scheme or project is within the approved Capital Programme Budget and does not require additional officer or member approval, based on an assessment of impact and risk. Variations to existing budgets can be approved up to TBC% of total budget, up to a maximum of £TBCm.
- The Capital Programme Panel, comprising of the Section 151 Officer or their nominated officer, the chairs of the Strategic Capital Groups and other nominated officers. The Capital Programme Panel can make decisions on new approvals of up to £TBCm where the scheme or project does not require member approval based on an assessment of impact and risk. Variations to existing budgets can be approved up to TBC% of total project budget, up to a maximum of £TBCm.
- Approval by the Executive is required for all other additions and changes.

Where overarching capital programmes are included in the capital budgets approved by the Executive and Council as part of the capital budget setting progress, overarching programme strategies should also be approved by the Executive, setting out the parameters for incurring capital expenditure against these programme budgets.

Where overarching strategies delegate the approval of individual schemes over £TBCm to the relevant Executive Member(s) and Executive Director(s), subject to scrutiny of business cases by the Capital Programme Panel. Individual schemes should initially be reviewed by Capital Programme Panel and then be signed off by the relevant Executive Director(s). Final approval will be via the relevant Executive Member(s) via a formal delegated decision sheet which will be published and subject to call-in processes.

In these cases, the Executive member, Executive Director and Capital Programme Panel will also be responsible for ensuring, in consultation with Strategic Capital Groups, that the overarching strategy approved by the Executive remains deliverable within the overall programme budget and that key metrics, e.g. number of additional school places, will be delivered.

FR12.3 All proposed schemes must be based on a robust business case and subject to appropriate internal or external due diligence. In particular the business cases must ensure:

Capital Programme proposals are consistent with the Council's Organisation Strategy, Capital Strategy and Investment Strategy, Asset and Place Strategy and Directorate Strategies and have a strategic mandate to proceed; each capital scheme or project is assessed for both financial and service risk; the proposed timetable for the scheme or project is realistic; and all associated revenue implications are fully quantified and covered in the current and future years.

FR12.4 Only those schemes and projects that meet the strategic priorities and have been assessed via the stages outlined above, subject to member approval where required, will be approved as part of the Capital Budget. Projects in an earlier stage of development may be included in the Capital Pipeline but will require business case approval, assessed via the stages outlined above, before they can commence.

FR12.5 Contracts for capital works will be awarded in accordance with the rules set out in Procurement Standing Orders.

FINANCIAL PROCEDURE RULE 13 - MONITORING OF THE CAPITAL PROGRAMME

FR13.1 Once a capital scheme or project has been approved in the Council's Capital Programme Budget, each Budget Manager shall be responsible for monitoring expenditure, and for providing information in accordance with arrangements set out in the Capitalisation Handbook to enable regular reports to be submitted to DLTs, CLT, Select Committees and to the Executive. Note: Annually Senior Officers, known as Accountable Budget Officers, are requested to acknowledge their responsibilities and capital budget remit. Budget Accountability Statements (BAS) are produced before the commencement of the financial year and require confirmation of the accountabilities and the budget envelope.

FR13.2 If necessary and following consultation with the Section 151 Officer or their nominated officer, virements may be made between capital schemes to reflect the value of each accepted tender. Virements should be approved by the appropriate Strategic Capital Group, Capital Programme Panel or the Executive based on the thresholds and non-financial factors set out in FR11.2.

FR13.3 Block items within the Capital Programme comprising multiple schemes (e.g. Maintenance and Minor Works Programmes) shall be regarded as a single project subject to the total scheme costs not being exceeded and satisfying the requirements of any external funder.

FINANCIAL PROCEDURE RULE 14 – FINANCIAL ACCOUNTS

FR14.1 The Section 151 Officer shall ensure that all financial transactions of the Council are accurately reflected in the Council's accounting records.

FR14.2 All financial systems, accounting policies and accounting records shall be in a form agreed by the Section 151 Officer. All proposed changes to accounting policies must be approved by the Section 151 Officer and discussed with the Council's external auditors, in line with accounting standards.

FR14.3 The Section 151 Officer will make appropriate arrangements for and advise officers and members on all taxation issues that affect the Council.

FR14.4 The Section 151 Officer will sign off the annual Statement of Accounts, once they are satisfied that the statement represents a true and fair view of the financial position of the Council. The Statement of Accounts will be submitted for approval to the Audit and Governance Committee.

FR14.5 Senior Officers are required to sign a Manager's Assurance Statement each year in a form prescribed by the Section 151 Officer to assist with evidence for the annual accounts. The Manager's Assurance Statement would be issued at the end of the financial year confirming: adherence and compliance to all relevant governance, contingent liabilities, post balance sheet events, claims, related parties and conflicts of interest related to financial year end transactions, and contribution and the correlation of actual financial year end position links to the outturn report.

The group of Senior Officers signing a Manager's Assurance Statement is similar to the group acknowledging Budget Accountability Statements. The Manager's Assurance Statements addresses those areas that do not have budgets due to being funded from other sources like Better Care Fund and mid-year alignments. Note: Budget Accountability Statements (BAS) are for Accountable Budget Officers acknowledging the framework and remit of responsibilities at the beginning of the financial year. The BAS outlines the budget responsibilities of the new financial year.

FR14.6 Arrangements for the retention or destruction of financial records shall be in accordance with the Council's Record Retention Policy. In any event, no document relating to the financial transactions of the Council, or its employees shall be destroyed before the completion of the External Audit for the year concerned.

FR14.7 Senior Officers shall be responsible for ensuring that there are adequate arrangements, in respect of financial information held in electronic form, to safeguard continuity in the event of an emergency and shall comply with the requirements set out in the Council's IT Security Policy.

<u>FINANCIAL PROCEDURE RULE 14 - DUTY TO CARRY OUT AUDIT</u>

FR15.1 The Section 151 Officer shall ensure that the Council maintains an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with the proper internal audit practices, as laid down in The Accounts and Audit Regulations. This also extends to external audit, where appropriate, subject to external partners and external funding requirements. To facilitate independence and objectivity in reporting, the reporting lines of the Internal Audit function should be unfettered by line management structures so that direct access to any officer, member or external regulating authority (e.g. external audit) will be available.

FR15.2 In order to discharge his/her responsibilities under FR14.1 above, the Section 151 Officer, Internal Audit and any other authorised staff shall have the right to:

- Enter any Council premises or land at any reasonable time, without prior notice;
- Have access at all times to all records and documents (including email and correspondence) relevant to the business of the Council as maintained by the Council or third parties on its behalf including (but not limited to) external contractors and consultants;
- Require and receive any information and explanations considered necessary to the audit; and
- Require any employee or agent of the Council to account for assets under his/her control.

FR15.3 The Chief Internal Auditor shall report on a regular basis to the Audit and Governance Committee with a summary of internal audit activity, and shall bring to the attention of the Chief Executive and the Audit and Governance Committee any significant matters which may have come to his / her attention in the course of delivering the internal audit function.

FINANCIAL PROCEDURE RULE 16 - FINANCIAL IRREGULARITIES

FR16.1 All officers are required to inform their manager on becoming aware of any irregularity, or suspected irregularity, affecting income, expenditure, cash, stores or any of the resources of the Council. Senior Officers shall inform the Chief Internal Auditor as soon as practicable. If it is not appropriate to inform local management because of a potential connection to the alleged irregularity, then officers should contact the Chief Internal Auditor directly. This requirement also applies to elected members and to agents working on behalf of the Council where the concern is around Council related matters.

FR16.2 The Chief Internal Auditor shall consider during the course of any investigation or at its conclusion, as they deem appropriate, whether the matter may require investigation by the Police and/or notification to the External Auditor. Where appropriate they shall seek the advice of the Monitoring Officer and inform the Chief Executive.

FR16.3 At the conclusion of any investigation or earlier if appropriate, the Chief Internal Auditor shall, in consultation with the Monitoring Officer, agree with the Senior Officer concerned the steps that should be taken to mitigate any loss and prevent a recurrence of it. The Chief Internal Auditor shall report, if they consider it necessary, initially to the Chief Executive and, following that, to the Audit and Governance Committee, depending on the circumstances.

FR16.4 All investigations of this type undertaken by Internal Audit will be under the direction of the Chief Internal Auditor, in consultation with the Section 151 Officer and the HR Director. Such investigations will be undertaken in line with the Council's Antifraud and Corruption Strategy and Framework, which forms part of the Constitution. The HR Director will ensure that "whistle blowing" procedures are defined, documented, widely communicated and reviewed at appropriate intervals, in consultation with the Section 151 Officer, the Monitoring Officer and the Chief Internal Auditor.

FR16.5 The Chief Internal Auditor or his/her delegated authority within Internal Audit acts as the Council's Money Laundering Reporting Officer (MLRO). The MLRO will ensure that there is an Anti-Money Laundering Policy published on the Council's external website which sets out the procedures which must be followed to enable the Council to comply with its legal obligations. This policy, which is contained in the Anti-Fraud and Corruption Strategy and Framework, states that the Council will not accept cash payments in excess of £TBC.

FINANCIAL PROCEDURE RULE 17 - ORDERING PROCEDURES

FR17.1 Senior Officers shall be responsible for ensuring that all orders issued from their departments for goods, works and services are in accordance with Procurement Standing Orders.

FINANCIAL PROCEDURE RULE 18 - CONSULTANTS AND CONTRACTORS

FR18.1 Agency workers, Contractors, and individual Consultants should be sourced in accordance with Procurement and HR guidelines.

FR18.2 Guidelines TBC

FR18.3 When the appointment is for specific projects, the Chief Executive (and if required the Leader) must approve interim staff, consultant or contractor appointments where the fee exceeds £TBC a year (or in proportion where the engagement is for less than one year) before the contract starts.

FR18.4 All consultant or contractor engagements with an aggregate value of £TBC or over, must be subject to competitive tender and review by the regular procurement governance process before approval by the Leader and Chief Executive. The Leader and Chief Executive will not approve such engagements retrospectively.

FR18.5 Consultants, contractors and agency workers engaged to supervise contracts on behalf of the Council shall be required to comply with these Financial Procedure Rules as if they were direct employees of the Council. Such a requirement shall be included in every agreement for their services. Any reference in these Financial Procedure Rules to a Budget Manager shall apply to a consultant, contractor or agency worker. Where a report is required, it shall be made by the consultant, contractor or agency worker to the appropriate Senior Officer, who shall report to members as required.

FINANCIAL PROCEDURE RULE 19 – CONTRACTING ARRANGEMENTS

FR19.1 All procurement and purchasing undertaken must adhere to the specified processes as agreed by the Corporate Leadership Team and follow the requirements of the Procurement Standing Orders. The Section 151 Officer may authorise the use of Purchasing Cards for Council staff for the purposes of defraying petty cash and other minor or urgent expenses.

FR19.2 All material assumptions and risks inherent in evaluations of proposed contracts must be fully disclosed to those officers and members making decisions on the award of the contract, before the contract award is made.

FR19.3 Long term strategic contracts must include provision to secure continuous improvement, improved efficiency and value for money. Financial relationships must be made under the relevant corporate guidance as highlighted in the introduction. In this context, partnerships are deemed to be joint arrangements involving the Council pooling financial and/or other resources with other bodies in the pursuit of agreed joint objectives.

FR19.4 All partnership arrangements and pooled budgets must be agreed under written terms appropriate to the extent of the financial risk to the Council and may only be entered into following appropriate consultation with and approval from the Section 151 Officer and the Monitoring Officer. Where the Council's contribution to, or financial risk from such arrangements, exceeds £TBC, the Executive's approval is required. Appropriate approval must be obtained before entering into any proposed partnership.

FINANCIAL PROCEDURE RULE 20 - PAYMENT OF SALARIES AND WAGES

FR20.1 The payment of all salaries, wages, pensions, compensation and other emoluments to employees, former employees or beneficiaries of the Council shall be made in accordance with arrangements approved by the Chief Executive and the EmploymentCommittee (EC).

FR20.2 The HR Director shall arrange for all relevant payments in respect of sums deducted from employees' remuneration and any employers' contributions to be made to the appropriate agency.

FR20.3 Senior Officers shall notify the HR Director, or his/her agent, of all matters affecting payment as soon as possible. Notification will be in the form prescribed by the Section 151 Officer and Monitoring Officer.

FR20.4 Time records or other pay documents (including those relating to flexible working hours) shall be in a form prescribed or approved by the HR Director.

FR20.5 The HR Director shall ensure that there are proper arrangements to maintain all necessary human resources records concerning pay, superannuation, statutory sick pay, national insurance and income tax.

FR20.6 The HR Director shall have regard to any recommendations made by the Section 151 Officer in all matters of a financial nature.

FINANCIAL PROCEDURE RULE 21 - INCOME COLLECTION AND BANKING ARRANGEMENTS

FR21.1 Senior Officers and Budget Managers shall seek the prompt collection of all monies due to the Council in accordance with arrangements approved by the Section 151 Officer and as specified in the Income Manual.

FR21.2 Senior Officers and Budget Managers are responsible for dealing with the receipt of money and other remittances and holding them in secure conditions before they are banked or otherwise dealt with.

FR21.3 The Section 151 Officer is responsible for the Council's overall banking arrangements. All arrangements for opening bank accounts and for the banking and withdrawal of money shall be approved by the Section 151 Officer. The Section 151 Officer shall determine the arrangements for the reconciliation of all Council bank accounts.

FINANCIAL PROCEDURE RULE 22 – ADULT SOCIAL CARE ASSESSED FEES & CHARGES DEBT MANANGEMENT AND BAD DEBT WRITE OFF

FR22.1 The Section 151 Officer has the authority to approve write offs of unpaid Adult Social Care assessed fees & charges up to the value of £TBCper individual debt where the relevant Budget Manager and financial assessment staff in Adult Social Care, Legal Services and Corporate Finance agree there is no realistic chance of recovering the debt or it is considered uneconomical to attempt debt recovery. The Section 151 Officer has the overriding authority to approve or reject write offs if there is not agreement between Adult Social Care, Legal services and Corporate Finance about a particular debt.

FR22.2 The Section 151 Officer may delegate in writing approval of individual write offs of unpaid Adult Social Care assessed fees & charges to another member of the Corporate Finance service.

FR22.3 The Section 151 Officer or the delegated Corporate Finance officer may delegate in writing approval of write offs of unpaid Adult Social Care assessed fees & charges up to £TBC to designated officers in Adult Social Care. Where this delegation is made, the designated Adult Social Care officers will have the authority to approve write offs without the need to seek advice and formal approval from Corporate Finance.

FR22.4 Any individual debts relating to unpaid Adult Social Care assessed fees & charges of more than £TBC must be approved by the Executive, subject to the recommendation of the Section 151 Officer.

FR22.5 Write-off of irrecoverable debt will be charged to the relevant budget in Adult Social Care. The year-end financial outturn report will provide a summary of all irrecoverable debt written off during the year relating to Adult Social Care assessed fees & charges.

FR22.6 Credit balances, which are over three years old, and which cannot be substantiated or justified, will be released to the relevant fund after closure of accounts of each year, subject to formal approval by the Section 151 officer.

FR22.7 Where the Council's Client Financial Affairs Team acts as the court appointed Financial Deputy or Department for Work & Pensions Appointee for a resident who dies they will be responsible for undertaking the following duties:

- Advising known parties of the death, including financial institutions and organisations where the resident has a known financial relationship.
- Liaising with known Executors or known Next of Kin who are actively pursuing Letters of Administration for authority to act on the estate.
- Referring the matter to the Treasury Solicitor where there is no known Next of Kin.
- Arranging for funeral expenses to be paid where invoices are received from Funeral Directors together with a copy of the death certificate.

Where the Council has set up a bank account for the resident:

- Where they are required by the bank and set up with the ability to do so the Client Financial Affairs Team will instruct the bank to stop all Direct Debits and Standing Orders on the account.

- Other than payment of funeral expenses outlined above, the Client Financial Affairs Team will take no other action in relation to the account unless instructed to do so by the appointed Executor or Person granted Letters of Administration.
- The Client Financial Affairs Team will transfer the closing balance to the account requested by the Executor or Person granted Letters of Administration.

FR22.8 The Section 151 Officer has the authority to approve waivers of Adult Social Care assessed fees & charges in accordance with any provision in the Council's Adult Social Care charging policy.

FR22.9 The Section 151 Officer may delegate in writing approval to waive Adult Social Care assessed fees & charges up to specified amounts to another member of the Corporate Finance service and designated Adult Social Care officers.

FR22.10 The Council will maintain a provision for bad debt relating to unpaid Adult Social Care assessed fees & charges. The Section 151 Officer will determine the criteria to calculate how much to provide for outstanding debts in relation to their age and type in consultation with Adult Social Care and Legal Services. The social care bad debt provision will be recalculated based on the latest debt levels and types on at least a quarterly basis. The impact of any increase or decrease required to the social care bad debt provision will be charged to the Council's Adult Social Care budget. Adult Social Care will review each year how much it is proposed is budgeted for potential bad debt to limit in-year impacts of write offs, changes to the bad debt provision or other costs associated with bad debts such as legal fees paid for debts that prove to be irrecoverable. Any budget provision proposed by Adult Social Care will be approved as part of the annual budget setting process.

FINANCIAL PROCEDURE RULE 23 – DEBT MANAGEMENT AND BAD DEBT WRITE OFFS NOT RELATING TO ADULT SOCIAL CARE ASSESSED FEES & CHARGES

FR23.1 The appropriate Director has authority to write off debts for individual outstanding balances for the following:

Council Tax	TBC
Business Rate	TBC
Housing Benefit	TBC
Housing Rent	TBC
Commercial Rent	TBC
Sundry	TBC

FR23.2 The Section 151 Officer has the authority to approve write offs of unpaid debts up to the value of £TBC per individual debt where the relevant Budget Manager, Legal Services and Corporate Finance agree there is no realistic chance of recovering the debt or it is considered uneconomical to attempt debt recovery. The Section 151 Officer has the overriding authority to approve or reject write offs if there is not agreement between the Budget Manager, Legal Services and Corporate Finance about a particular debt.

FR23.3 The Section 151 Officer may delegate in writing approval of individual write offs of unpaid debts to another member of the Corporate Finance service.

FR23.4 Any individual debts of more than £TBC must be approved by the Executive, subject to the recommendation of the Section 151 Officer.

FR23.5 Write-off of irrecoverable debt will be charged to the relevant budget code where the debt was first raised unless otherwise agreed by the Section 151 Officer or their delegated representatives. The year-end financial outturn report will provide a summary of all irrecoverable debt written off during the year.

FR23.6 Credit balances, which are over three years old, and which cannot be substantiated or justified, will be released to the relevant fund after closure of accounts of each year, subject to formal approval by the Section 151 officer.

FR23.7 TBC- provisions for bad debt

The Section 151 Officer will determine the criteria to calculate how much to provide for outstanding debts in relation to their age and type in consultation with the relevant Budget Managers and Legal Services. The bad debt provisions will be recalculated based on the latest debt levels and types on at least a quarterly basis. Relevant services will bear the impact of any increase or decrease required to the bad debt provision relating to ICBs. The impact of increases or decreases required to the general bad debt provision will be charged to Central Income and Expenditure. Each year consideration will be given as to whether any budget provision should be made to account for the potential impact of bad debt on the Council's revenue budget in the coming year. This will be approved as part of the annual budget setting process. Any savings realised against this budget provision will be transferred to reserves.

FINANCIAL PROCEDURE RULE 24 – ASSETS

Land and Property

FR24.1 The rules set out within this framework are to be applied for circumstance arising that are not already covered within the Scheme of Delegations or Procurement Standing Orders or Section 11 set out above (Authority to incur capital expenditure).

FR24.2 All acquisitions of land and buildings up to the value £TBCm require approval from the Capital Programme Panel and the relevant Executive Member in conjunction with the Leader. This value relates to freehold and leasehold interest.

FR24.3 All acquisitions of land or buildings valued at £TBCm or more requires Executive approval.

FR24.4 All disposals of land or buildings up to the value of £TBCm require approval from the relevant Executive Member in conjunction with the Leader. This value relates to freehold and leasehold interest and includes setting a reserve figure for auction sales.

FR24.5 All disposals of land or buildings valued at £TBCm or more requires Executive approval.
All disposals should be recorded within an approved register.

FR24.6 All acquisitions and disposals must be referred to the Land and Property Team. The application of best value considerations may result in disposal of assets at less than market value due to wider economic, environmental, and social value factors. The approach to valuation should be agreed in advance, in consultation with the Section 151 Officer.

FR24.7 The Chief Executive, in consultation with the Leader or Deputy Leader and the Chair or Vice Chair of the Housing Committee, can utilise the Housing Revenue Account for the purchase of land or buildings in accordance with the Council's general power of competence under the Localism Act 2011, or in the case of the HRA, for the Council's House Building Programme.

FR24.8 Authority is delegated to the Strategy & Resources Committee / Housing Committee to approve individual purchases of land or buildings within the district at or above £TBC million in value.

Assets other than Land and Property

FR24.7 Assets declared surplus to the Council's requirements should be disposed of at the most appropriate time, and only when it is in the best interest of the Council, and best value is obtained. For assets of significant value, disposal should be by competitive tender or public auction.

FR24.8 Any proceeds from the disposal of assets should be receipted and recorded, even if the disposal value is zero.

FR24.9 No items can be disposed of to a member of staff without the explicit approval of the Section 151 Officer.

FR24.10 All acquisitions and disposals valued over £TBC must be subject to a professional valuation. The approach to valuation should be agreed in advance, in consultation with the Section 151 Officer.

FR24.11 Senior Officers are responsible for, and shall make arrangements for, the safe custody and care of all assets in his/her department, including exercising proper control over the use of those assets. Such assets shall include plant, machinery, vehicles, furniture, equipment, other non-consumable property, stocks and stores and IT equipment.

FR24.12 Senior Officers are responsible for keeping inventory records and the marking of Council property. The Council's property shall not be removed other than in accordance with the ordinary course of the Council's business or used otherwise than for the Council's purposes.

FR24.13 Senior Officers are authorised to adjust their inventory records, relating to items outlined in FR22.10 where any surplus or deficiency arises up to £TBC in respect of any one item, provided appropriate investigations have been carried out to establish the reasons and prevent a recurrence. Records of such adjustments are subject to Internal Audit inspection.

FR24.14 The Section 151 Officer shall authorise Officers to adjust their inventory records where any surplus or deficiency arises between £TBC and £TBC in respect of any one item provided the appropriate Officer has investigated and reported the reasons for the discrepancy.

FR24.15 Adjustments to inventory records in respect of any one item where the amount exceeds £TBC shall be referred to the Executive.

FR24.16 Budget Managers, after consultation with the Section 151 Officer, are authorised to delete any item from their inventory records where the item has become obsolete and is no longer adequate for the purpose intended, or the item is broken or worn.

FINANCIAL PROCEDURE RULE 25 - STOCKS AND STORES

FR25.1 Lead Officers and Budget Managers are responsible for the receipt, issue and checking of the stocks and stores in their departments and for maintaining appropriate stock levels.

FR25.2 The extent to which items shall be included in records, and the form of record-keeping, shall be determined by the appropriate Senior Officer in consultation with the Section 151 Officer.

FR25.3 Senior Officers, in consultation with the Section 151 Officer, are authorised to adjust stock balances up to £TBC in respect of any one item provided appropriate investigations have been carried out to establish the reasons and prevent a recurrence. All other write offs require Executive approval.

FR25.4 The year-end financial outturn report to the Executive will set out all stock write offs granted in the year.

FINANCIAL PROCEDURE RULE 26 – ESTATES

FR26.1 The Director of Land and Property shall update the Council's Asset Management Plan as necessary and maintain a terrier of all land and properties held by the Council.

FR26.2 The Monitoring Officer shall have custody under secure arrangements of all the title deeds in the possession of the Council.

FR26.3 The Director of Land and Property shall be responsible for land and property under his/her control, and for obtaining the best economic return possible consistent with Council policy and legal requirements. They shall ensure that all rents etc. are regularly reviewed.

FINANCIAL PROCEDURE RULE 27 - RISK MANAGEMENT AND INSURANCE

FR27.1 The Risk Management Strategy outlines the arrangements in place to ensure the Council identifies and deals with the key risks it faces. The Section 151 Officer is responsible for ensuring that a risk management process is maintained across the Council and may specify risk management activity to be undertaken by other officers. The Risk Management Framework complements the strategy and ensures a consistent approach to risk management across the organisation by detailing the Council's approach to risk identification, assessment, control, and reporting.

FR27.2 The Council's approach to risk management is a continuous and evolving process that runs through the Council's strategies and service delivery. It ensures key risks are managed and resilience is strengthened in order to support the delivery of the Council's priorities.

FR27.3 The Section 151 Officer is responsible for advising the Executive on insurance arrangements. The Section 151 Officer shall be responsible for the day-to-day administration of the Council's insurances and negotiating all policies and claims in consultation with the relevant Senior Officers and Budget Managers.

FR27.4 Senior Officers, in consultation with the Section 151 Officer, shall be responsible for the effective management of all insurable risks.

FR27.5 Senior Officers shall consult the Monitoring Officer and the Section 151 Officer concerning the terms of any indemnity which the Council may be requested to give.

FR27.6 All Officers shall give prompt notification to the Section 151 Officer of all new risks, properties or vehicles which require to be insured in accordance with arrangements determined by him/her.

FR27.7 Any person who makes use of his/her own vehicle for Council business shall comply with the appropriate Council policies with regards to car users and any instructions relating to this policy issued by the HR Director.

FR27.8 Senior Officers shall ensure there is proper security at all times for all assets under his/her control and safe and proper arrangements for the custody of keys to safes and similar receptacles.

FR27.9 Senior Officers shall immediately notify the Section 151 Officer of any loss, liability, damage or other similar event likely to lead to a claim. Where appropriate, the Section 151 Officer shall inform the Monitoring Officer and the Police. Such notification shall be confirmed promptly in writing.

FINANCIAL PROCEDURE RULE 28 - TREASURY MANAGEMENT AND THE PENSION FUND

FR28.1 All money held by the Council shall be aggregated for the purposes of treasury management and shall be under the control of the Section 151 Officer, subject to the constraints of delegated powers given to schools. They shall seek expert advice on these matters when considered appropriate.

FR28.2 The Section 151 Officer is responsible for the Council's treasury management activities in accordance with CIPFA's Code of Practice for Treasury Management in Local Authorities and the Prudential Code. They shall propose an annual Treasury Management Strategy Statement to the Audit and Governance Committee.

FR28.3 The Section 151 Officer will ensure that the provisions of the strategic and operational requirements in FR27.2 are implemented, legislative requirements are complied with, and regular monitoring of all Treasury Management activity is undertaken.

FR28.4 Effective scrutiny of the Treasury Management Strategy will be undertaken by the Overview and Scrutiny Committee, as part of the overall scrutiny of the budget. The Section 151 Officer will submit a mid-year review and an annual outturn report on treasury management to the Audit and Governance Committee.

FR28.5 The Council, as corporate trustee for a limited number of Trust Funds through its members and officers, will ensure that the Council administers them in accordance with its legal responsibilities as trustee, distinct and separate from its functions as a local authority. The council, when undertaking the aforementioned duties, will also comply with the CIPFA Code of Practice in Treasury Management and any relevant Charity Commission guidance, to ensure provisions are appropriately implemented.

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ANNEX 2: Proposed Procurement and Contract Procedure Rules (PCPRs) Structure and Content Framework

Purpose: This table summarises the proposed CPR structure and suggested (high-level) content for the new unitary authority.

Section	Heading	Purpose / Summary	Content Included
1	Introduction and Purpose	Establishes the legal basis, purpose and status of the PCPRs within the governance framework.	Legal status; Constitution; Financial Regulations; purpose; application; compliance; consequences of breach
2	Scope	Defines when the PCPRs apply and procurement activities covered.	Goods, services, works, concessions, Provider Selection Regime (PSR), grants, exclusions, collaborative procurements
3	Governance Framework	Decision-making and approval structure.	Approval to procure, award, vary, delegations, member involvement, S151 Officer and Monitoring Officer (MO) input
4	Roles and Responsibilities	Clarifies accountability.	Officers, budget holders, contract managers, procurement, legal, finance, directors, Members
5	Procurement Principles	Core principles for spending public funds.	VfM, transparency, fairness, proportionality, risk management, innovation
6	Standards of Conduct and Ethical Procurement	Expected standards of behaviour.	Conflicts of interest, gifts, anti-fraud, bribery, modern slavery, confidentiality
7	Social Value	Social value in contracts approach	Reference the social value model. Set requirements around when must be used, minimum evaluation criteria reserved for social value, monitoring of delivery etc
8	Planning the Procurement	Pre-procurement activities.	Business need, options appraisal, valuation, aggregation, PME, procurement strategy

9	Choosing the Procurement Route	Selecting the appropriate route to market.	Thresholds, quotations, tenders, frameworks, dynamic markets, direct awards
10	Conducting the Procurement and Award	Running the competition and selecting suppliers.	Evaluation, moderation, communications, approvals, notices, standstill
11	Contract Formation and Contract Management	Managing transition into delivery.	Contract execution, sealing, mobilisation,
12	Contract Management	Approach to contract management.	Contract management reporting – Contract Performance Indicators (CPIs – for internal reporting), Key Performance Indicators (KPIs – for statutory reporting), supplier management
13	Exemptions, Waivers and Emergency Procurement	Managing deviations from standard process .	Exemptions, waivers, emergencies, urgent procurements, reporting
14	Transparency, Records and Reporting	Audit and transparency requirements.	Publication obligations, contract register, records, retention, reporting
15	Review and Continuous Improvement	Keeping governance arrangements current	Compliance reviews, audit findings, lessons learned, updates
	Appendices	*Operational guidance and supporting material*	*Definitions, thresholds, approval matrix, procurement routes, waivers, templates*

ANNEX 3: Proposed Thresholds, routes to market, delegation of authority for contract award etc

The table below sets out the key governance decisions that need to be made, and the potential options identified for each value range under each header. Separate tables would be required for each of the following buying scenarios:

- Procurement Type A: Goods or Services
- Procurement Type B: Works
- Procurement Type C: Light Touch
- Procurement Type D: Provider Selection Regime (PSR)
- Procurement Type E: Concessions

Estimated Contract Value Inc VAT	Procurement Method	Teams authorised to undertake the Procurement	Type of Contract Required	Who must approve Contract Award prior to commencement	Who signs the contract on the Council's behalf
Example value ranges could be: - £0 - £29,999 - £30,000 - £207,719 - £207,720 - £999,999 - Over £1m	Examples include (to be distributed across value ranges): - Available Frameworks or Dynamic Purchasing Sytem's (DPS) ; - One written quote or commercial negotiation with supplier.; - Minimum of 3 quotes ; - PA23 compliant tender process; - Other regulator processes	Options include: - All Council Officers; - All Officers of a pre-determined job family and/or above a certain grade; - Procurement, unless otherwise agreed; - Procurement	Options include: - Council's Standard Terms & Conditions; - Established Framework/Dynamic Purchasing System (DPS) Terms; - Bespoke Contract terms agreed by Legal Services; - Industry standard form of contract (with/without) Council amendments	Options include: - Budget Holder; - Head of Service or Delegated Manager; - Exec Director (or delegated representative); - S151 Officer; - Executive. -	Options include: - Not required (approval of Purchase Order sufficient); - Head of Service or Delegated Manager; - Head of Procurement and Head of Service; - Executed by authorised signatory in Legal Services under seal; - Executed under Deed by Legal Services

Contract value would be the estimated total aggregate value payable in pounds sterling inclusive of Value Added Tax (VAT) over the entire contract period and must include all of the facts which are material to the estimate and available at the time, including for example any extensions of the contract, any additional options to procure or fees, commissions or interest payments.

Roles cited are the current Surrey County Council roles to provide an indication of potential delegations of authority at varying value levels, and will be aligned with the equivalent new East Surrey Unitary Authority roles once known.

EAST SURREY SHADOW AUDIT AND GOVERNANCE COMMITTEE

MEETING DATE: 2 September 2026

REPORT OF: Interim Section 151 Officer

SUBJECT: Recruitment and Selection process for two Independent Co-Opted Members to the Audit and Governance Committee until March 2031.

Purpose of the Report:

1. This report requests that the East Surrey Shadow Audit and Governance Committee consider and endorses the proposed process for the appointment of two Independent Co-Opted Members for the remainder of the Shadow Period and thereafter for a four-year term until 31 March 2031.

Recommendations:

It is recommended that the East Surrey Shadow Audit and Governance Committee resolves to:

1. Approve the recruitment and selection process to appoint two co-opted independent members to the Audit and Governance Committee for the remainder of the Shadow Period and thereafter for a further four-year term until 31 March 2031.

Reason for Recommendations:

2. The appointment of Independent Co-Opted Members is recommended by CIPFA (Chartered Institute of Public Finance and Accountancy) as set out in its Position Statement: Audit Committees in Local Authorities and Police 2022 and the East Surrey Shadow Authority Constitution includes the provision for such appointments in Part 3-B5.

3. The Independent Co-opted Member role is to support the Council's Audit and Governance Committee and to provide independent assurance to the Members of the Shadow Authority and its wider residents and stakeholders.

Options, including alternatives (if any)

4. **Option 1 (recommended)**: The Committee is asked to endorse the proposed process for the appointment of two Independent Co-Opted Members. Appointing Independent Co-Opted Members to the Shadow Audit and Governance Committee brings significant benefits by strengthening governance and enhancing public confidence. Independent Co-Opted Members provide objective challenge, which supports robust scrutiny of financial management, risk, and internal controls. Their external perspective and specialist expertise help identify issues and gain assurance. This

independence promotes transparency and accountability, aligning with best practice guidance from CIPFA and the Local Government Association.

5. **Option 2**: The Committee could decide to recommend that only one Independent Co-Opted Member is appointed. The key advantage in appointing two members is that it would help to reduce the risk of reliance on one Independent Co-Opted Member who may on occasion be unable to attend meetings of the Shadow Audit and Governance Committee. Two would also satisfy CIPFA best practice guidance.

6. **Option 3**: The Committee could decide to not appoint Independent Co-Opted Members. This option is not recommended as it contradicts CIPFA guidance and the East Surrey Shadow Authority has in any case, already established the terms of reference for the Shadow Audit and Governance Committee to include up to two independent members and the proposal supports implementation of those terms of reference.

Summary:

7. Independent Co-Opted Members on Council committees are not elected representatives but are recruited to join a committee. The objective of including such Members is to increase the knowledge and experience bases of a committee, reinforcing its independence.

8. Whilst the inclusion of independent Members is a legislative requirement for authorities in Wales and combined authorities only in England, CIPFA recommends that Local Authority Audit Committees should make provision for the inclusion of two co-opted independent members.

9. The East Shadow Authority Constitution was drafted with this CIPFA guidance in mind; the guidance itself follows the Government’s response (in December 2020) to the Redmond Review into the oversight of local audit and the transparency of local authority financial reporting.

<u>Benefits of Independent Co-Opted Members</u>

10. The reasons for CIPFA’s recommendation are as follows:

- To supplement the knowledge and experience of elected representatives in specific areas, such as audit or financial reporting.

- To provide continuity outside the political cycle. This is of particular importance where membership of the committee changes annually or because of elections.

- To help achieve a non-political focus on governance, risk and control matters.

- Having two co-opted members rather than one will allow recruitment of members with different but complementary knowledge and experience, increase the resilience and continuity of the committee.

- Having two co-opted members shows a commitment to supporting and investing in the committee.

The role of the Independent Co Opted Member

11. Independent Co-Opted Members would be afforded voting rights as set out in the Shadow Authority Constitution (Part 3-B5, Terms of Reference of the Audit and Governance Committee, paragraph 5).

12. However, there would be some exclusions to these voting rights; specific examples include the inability to vote on the Statement of Accounts, Council Policy or delegated decisions. Whilst the Independent Co-opted Member is unable to take part in the decision, they can, of course, contribute to the discussions prior to the formal decision. Equally, in the case of a recommendation from the Audit and Governance Committee to another Council Body, as the Committee would be acting in an advisory capacity, the Independent Co-opted Member should be able to take part fully.

The recruitment process

13. The recruitment process will need to have regard to the following provisions in the East Surrey Shadow Constitution–

(a) To be eligible for appointment, candidates must not be engaged in party political activity or have been, at any time in the preceding five years, a member, co-opted member or officer of Surrey County Council or any of the East and West Surrey councils, or of a Parish Council within the Shadow Authority's area or be a relative or close friend of a councillor or officer of the Shadow Authority.

(b) Ideally candidates will have significant experience of working at a senior level in a large, complex organisation and have a very good understanding of strategic or financial management or have sat previously on an Audit Committee.

(c) The Monitoring Officer and Chief Finance Officer, or their representatives, shall short list candidates and invite them for interview by a panel comprising two members of the Audit and Governance Committee, the Monitoring Officer and the Chief Finance Officer, or their representatives.

14. Thereafter, the recommendations of the Panel, as to the appointment of Independent Co-opted Members, shall be referred to the Shadow Authority for approval.

15. It is recommended that the appointments will run until the end of the Shadow Period and then for a further term of four years until 31 March 2031.

Consultation:

16. The Interim S151 Officers for both the East and the West Shadow Authorities have been consulted on the approach proposed for the appointment of Independent Co-Opted Members to the Shadow Audit and Governance Committee for the remainder of the Shadow Period and thereafter for a further four-year term until March 2031.

Risk Management and Implications:

17. Failure to appoint Independent Co-Opted Members could result in a perceived lack of independent assurance for Members, residents and other key stakeholders.

18. Independent Co-Opted Members might demonstrate a lack of understanding of local authority governance procedures. This can be overcome through the provision of a comprehensive induction ongoing training on council procedures, statutory responsibilities and the Audit and Governance Committee's role.

19. Potential conflicts of interest (e.g. professional or personal connections) can be overcome through the required compliance with the Members' Code of Conduct, including the declaration of interests.

Financial and Value for Money Implications:

20. The allowances payable to the Independent Persons during the remainder of the shadow period (£1,738 per person pro rata) will be borne from the LGR Implementation Fund which is jointly funded by the predecessor authorities. The roles will also receive travel, subsistence and other expenses in accordance with the scheme applicable to councillors.
21. Allowances incurred from 1st April 2027 will be funded from the East Surrey budget and will need to be allowed from in budget planning processes.

Section 151 Officer Commentary:

22. East Surrey Council will operate in a very challenging financial environment, with significant budgetary pressures from increasing demand and costs of service delivery, coupled with limited financial resources and reducing

government funding. East Surrey will be increasingly reliant on Council Tax as the primary source of income.

23. Decisions made by the sovereign councils in East Surrey and the East Surrey Shadow Authority will need to consider the ongoing financial impact and ensure that expenditure does not exceed the resources available. It is vital that significant importance is placed on effective financial management and medium-term financial sustainability to achieve a balanced budget position and protect service delivery.

24. The appointment of appointment of two Independent Co-Opted Members to the Shadow Audit and Governance Committee strengthens governance, provides objective challenge, supports robust scrutiny and aligns with best practice guidance.

Legal Implications (Monitoring Officer Commentary):

25. Whilst there is no statutory requirement for local authorities to appoint co-opted independent members, it is recommended by CIPFA in its Position Statement: Audit Committees in Local Authorities and Police 2022. The government has indicated its clear intention to bring forward regulations in 2026/27 to mandate that councils appoint at least one independent member to their audit committees, via amendments to the Local Audit and Accountability Act made by the English Devolution and Community Empowerment Act 2026.

26. Any appointments must comply with section 102(3) of the Local Government Act 1972 (power to co-opt from outside Council membership).

Workforce Implications (People/Human Resources Commentary)

27. There are no direct workforce implications arising from this report. The appointment of Independent Co-Opted Members does not create an employment relationship with the West Surrey Shadow Authority. Individuals appointed will be required to comply with the West Surrey Shadow Authority Member Code of Conduct, including requirements relating to declarations of interest and conflicts of interest. The recruitment and selection process should be conducted in an open, transparent and fair manner, consistent with the eligibility criteria set out in the Constitution and relevant equalities obligations.

Equality and Diversity:

28. The recruitment process to be followed will comply with equalities legislation including the Public Sector Equality Duty as defined in the Equality Act 2010 and which requires public bodies to:

- eliminate discrimination, harassment, victimisation, and any other conduct that is prohibited by or under this Act.

- advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it; and

- foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

Climate Change and Sustainability:

29. None for the purposes of this report as the decision is administrative in nature.

What Happens Next:

30. Subject to agreement of the Shadow Audit & Governance Committee, Officers will begin the formal recruitment process for the appointment of two Independent Co-Opted Members and recommendations will be referred to a future meeting of the East Surrey Shadow Authority for consideration.

Report Author: Arabella Davies, Constitutional and Shadow Authority Workstream Leader, People & Governance Theme

Sources/background papers:

Position Statement: Audit Committees in Local Authorities and Police 2022, The Chartered Institute of Public Finance and Accountancy

https://www.cipfa.org/-/media/Files/Services/Support-for-audit-committees/CIPFA Audit-Committee-Position-Statement-2022.pdf

East Surrey Audit and Governance Committee Forward Work Programme – 2026/27

Report title	Remit / Scope	Report author	Responsible officer
2 SEPTEMBER 2026			
Appointment of Co-optees to Audit and Governance Committee	To comply with the East Surrey Shadow Authority Constitution, as included in the terms of reference for the A&G Committee, up to two independent co-opted members must appointed to the Committee.	Interim Chief Finance Officer (S151 Officer)	Interim Chief Finance Officer (S151 Officer)
Whistleblowing Policy	To bring forth a Whistleblowing Policy to the East Surrey Audit and Governance Committee, to then be adopted by the East Surrey Council.	Interim Monitoring Officer	Interim Monitoring Officer
East Surrey Council Constitution: Financial Procedure Rules & Contract Standing Orders	To bring the initial Financial Procedure Rules & Contract Standing Orders to the East Surrey Audit and Governance Committee.	Interim Chief Finance Officer (S151 Officer)	Interim Chief Finance Officer (S151 Officer)
2 NOVEMBER 2026			
Risk management approach for East Surrey	Approve the Risk Management approach for East Surrey. This will be minimum required to enable new authorities to manage strategic risks (ie linked to achievement of corporate strategy objectives) from Y1 and to have assurance	Interim Chief Finance Officer (S151 Officer)	Interim Chief Finance Officer (S151 Officer)

	that service risks inherited from predecessor Councils are being managed effectively.		
Note the future operating arrangements to ensure transition and implementation of Internal Audit	To note the future operating arrangements of Internal Audit. This is vital to ensure the effective transition and implementation of Internal Audit for Vesting Day.	Russell Banks	Interim Chief Finance Officer (S151 Officer)
18 JANUARY 2027			
Treasury Management Strategy	To approve the Treasury Management Strategy for East Surrey.	Interim Chief Finance Officer (S151 Officer)	Interim Chief Finance Officer (S151 Officer)
9 MARCH 2027			
Internal Audit Plan 2027/28	To approve the Internal Audit Plan for Vesting Day onwards for the 2027/28 year.	Interim Chief Finance Officer (S151 Officer)	Interim Chief Finance Officer (S151 Officer)