

Notice of Meeting

**East Surrey Shadow Authority
Audit and Governance
Committee**

<u>Date and Time</u>	<u>Place</u>	<u>Contact</u>
Monday, 2 November 2026 at 2.00 pm	Council Chamber, Epsom Town Hall, KT18 5BY	democraticservices@epsom- ewell.gov.uk
	Online access to this meeting is available on YouTube: Link to online broadcast	

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 Monday, 2 November 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: Friday, 23 October 2026

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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
7 - 16)

The Committee is asked to confirm as a true record the Minutes of the Meeting of the Committee held on 2nd September 2026 (attached) and to authorise the Chair to sign them.

4 EAST SURREY COUNCIL CONSTITUTION: FINANCIAL PROCEDURE RULES AND CONTACT & PROCUREMENT PROCEDURE RULES

(Pages
17 - 98)

This report presents the proposed Finance Procedure Rules and the Procurement and Contract Procedure Rules to the Shadow Audit & Governance Committee for consideration and endorsement prior to inclusion in the draft Constitution for East Surrey Council.

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. It is therefore essential that the unitary authority of East Surrey establish new Procedure Rules ahead of vesting day on 1st April 2027.

The Finance and the Procurement and Contract Procurement Rules (“the Rules”) importantly set out arrangements for how the council:

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

5 RISK MANAGEMENT APPROACH FOR EAST SURREY COUNCIL

(Pages
99 -
140)

The purpose of this report is to set out the proposed approach to Risk Management for East Surrey Council (ESC) for consideration and approval.

This report sets out the minimum viable arrangements that enable ESC to have oversight of corporate risk (the most significant risks to the organisation in the delivery of its Council Strategy and priorities), to have awareness of corporate risks inherited from legacy councils, assurance that legacy council service risks are being managed effectively, and that risk escalation arrangements are in place. A suite of draft tools is provided that would enable the development of a Corporate Risk Register as organisational and governance arrangements develop.

Apart from the management of corporate risk and escalation arrangements, legacy councils would continue to operate according to their current risk management policies and frameworks post-vesting day.

Harmonisation of service risks, risk matrices, systems and other arrangements would take place post-vesting day as services and organisational structures stabilise. A comprehensive Risk Management Framework would be developed, including elements such as risk appetite and risk tolerance.

The recommendations in this report provide a proportionate and deliverable approach to risk management ahead of vesting day.

6 UPDATE ON THE PROVISION OF INTERNAL AUDIT ACTIVITIES TO EAST SURREY COUNCIL

(Pages
141 -
154)

This report provides the East Surrey Shadow Audit & Governance Committee with a brief introduction to the role and purpose of internal audit, the committee's responsibilities with regard to internal audit and a high level overview of how it is proposed these arrangements will work for East Surrey Council from 1 April 2027.

The Committee are also asked to agree to the proposal to provide a detailed and interactive workshop/training session for the committee, ahead of Vesting Day, covering all aspects of internal audit work.

7	RETROSPECTIVE COMPLAINTS REPORTING APPROACH - 2026/27	(Pages 155 - 162)
	The purpose of this report is to advise the Audit & Governance Committee of the 2026/27 retrospective annual complaints reporting approach for legacy councils following Vesting Day.	
	Annual complaints reports for the 2026/27 reporting year cannot be completed until after the legacy councils and their usual governance routes have ceased.	
	The Committee is asked to note that three statutory annual complaints reports will be produced for Housing, Adult Social Care and Children's Social Care only. Historic Corporate complaints data will be retained for future reference, analysis and benchmarking.	
8	FORWARD WORK PROGRAMME 2026-27	(Pages 163 - 164)
	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 2 September 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:

+ David Lewis (was in attendance remotely and consequently did not take part in the voting on any matter) as nominated substitute for Lynne Fletcher,
+ Mark Johnston as nominated substitute for Wendy Gibbs

7 APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors Lynne Fletcher (with Councillor David Lewis as nominated substitute) and Wendy Gibbs (with Councillor Mark Johnstone as nominated substitute).

8 DECLARATIONS OF INTEREST

No declarations of interest were made by Members in respect of any items of business considered at the meeting.

9 MINUTES OF THE PREVIOUS MEETING

The Committee confirmed as a true record the minutes of the meeting of the Committee held on 06 July 2026 and authorised the Chair to sign them.

10 FINANCIAL PROCEDURE RULES AND CONTRACT STANDING ORDERS

The Committee received a report presenting early sight of both the Finance and the Procurement and Contract sections of the new Constitution for East Surrey and inviting comments on the draft and principles ahead of finalising and bringing back to the Committee for final consideration.

The Interim Chief Finance Officer introduced the draft Finance Procedure Rules, seen at Annex 1 to the report, as the framework through which East Surrey Council would manage public money, establish financial responsibilities and accountability, maintain compliance with legislation, protect against fraud and error, and ensure best value for money. She explained that the draft procedure rules had been prepared following a review of the financial procedures used across the current 12 Surrey authorities, with further work underway to compare the draft to the rules used by existing Unitary Authorities. She explained that financial thresholds and references to the future East Surrey committee and staff structure would be updated as the information became available.

The Interim Chief Finance Officer explained that Annex 2 provided a draft structure for the East Surrey Procurement and Contract Procedure Rules. The full document would set the full contract and procurement lifecycle, from identification of a requirement and initial business case through to procurement and contract award, contract management, performance monitoring, expiry and renewal. She stated that Annex 3 set out proposed thresholds, routes to market and delegations of authority for contract award, informed by an ongoing benchmarking exercise against comparable unitary councils.

Members were reminded that they were not being asked to approve the documents at this stage – final versions would be brought back to the Committee in November before being recommended through the Constitution Committee to the Shadow Authority.

The following matters were considered:

- a) **Annex 1: Draft Financial Procedure Rules.** The Committee generally welcomed the draft and acknowledged the work undertaken to bring together procedures from multiple authorities. However, Members identified a number of areas where they believed further detail would strengthen the document.
 - a. **Reporting of Financial Non-Compliance.** Members queried whether instances of financial non-compliance would automatically be reported to the Audit and Governance Committee. Concerns were expressed that reliance on officer judgement regarding where reports were directed could potentially limit Audit & Governance Committee oversight. Officers agreed to include provision for all breaches to be reported to the Audit & Governance Committee, whilst also clarifying reporting arrangements to other relevant committees where required.
 - b. **Definition of “Substantial” Non-Compliance.** Members noted that the draft referred to substantial non-compliance but did not define what constituted a substantial breach. It was suggested that clear criteria and thresholds would be required to ensure consistency and transparency. Officers agreed that such definitions

would be incorporated into the draft procedure rules alongside the future work on financial decision thresholds.

- c. **Inter-Authority and Hosted Services Arrangements.** Members highlighted that, post vesting day, a number of services were expected initially to be hosted by East or West Surrey Councils, covered by an inter-authority agreement. Concern was raised that the draft procedure rules did not currently reference the governance, financial accountability or management arrangements of hosted services. Officers agreed that provisions for the financial responsibilities associated with hosted services would be incorporated into the draft procedure rules.
- b) **Annex 2: Procurement and Contract Procedure Rules Structure.** Discussion focused on ensuring that the future procurement framework would provide robust oversight of contract performance and adequately address the complexities arising from local government reorganisation.
- a. **Contract Management and Performance Monitoring.** Members emphasised the importance of actively managing contracts after award. Particular concern was expressed about ensuring there were effective mechanisms to monitor contractor performance, intervene where services were underperforming, and terminate contracts where necessary or apply penalties.
 - b. **Tripartite Contract Arrangements.** Members discussed existing contracts that, following vesting day, would be duplicated across East Surrey and West Surrey through tripartite arrangements. Concern was raised that these arrangements would create unique procurement and contract management challenges not usually encountered by local authorities. Members suggested that the procedure rules should acknowledge and provide guidance on such arrangements.
 - c. **Placement of Exemptions within the Framework.** Members questioned whether exemptions should appear earlier within the procurement process, suggesting that potential exemptions are often considered before procurement activity begins. Officers explained that the current structure followed the lifecycle of a contract but agreed to review the sequencing.
 - d. **Grants Versus Contracts.** Members raised concerns that some arrangements involving charities or external organisations may be genuine grant funding rather than contractual arrangements. They stressed the importance of distinguishing between grants and contracts so that inappropriate procurement requirements were not applied. Officers agreed that this distinction was important and suggested it may be more appropriately addressed within the Financial Procedure Rules.

- e. **Social Value Requirements.** Members stressed the importance of embedding social value considerations into procurement decision-making and sought assurance that this would be developed fully in future drafts. Officers highlighted that social value was addressed at section 7 of Annex 2, and that it would form a significant element of the final Procurement and Contract Procedure Rules.
- c) **Annex 3: Procurement Thresholds and Delegations.** The Committee discussed the governance implications of procurement thresholds and the need to balance effective controls with efficient decision-making.
 - a. **Balance between Control and Bureaucracy.** Members recognised that setting thresholds too low could create excessive administrative burden, while thresholds that were too high might reduce oversight. Officers explained that benchmarking was underway and that the final proposals would seek an appropriate balance between operational efficiency and financial control. Officers confirmed that the rationale for proposed thresholds would be presented alongside the final recommendations.
 - b. **Differing Procurement Approaches.** Discussion took place regarding the varying approaches to procurement adopted by different authorities. Members noted that Surrey County Council uses procurement specialists for relatively low-value thresholds, whereas other authorities use procurement specialists only for larger procurements. It was requested that the advantages, disadvantages and resource implications of both approaches be clearly set out before decisions were made.
 - c. **Legal Oversight of Contracts.** Members with legal experience highlighted the importance of establishing clear rules governing when legal services must be involved in contract preparation, review and approval. Concerns were expressed that lower-value contracts could potentially proceed without legal scrutiny unless this was clearly addressed. Officers confirmed that different levels of legal involvement would apply depending on value and complexity and that these arrangements would be incorporated within the final rules.

Following consideration, the Committee unanimously resolved 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.

11 WHISTLEBLOWING POLICY

The Committee received a report to consider and adopt a 'Speak Up Policy' (including whistleblowing arrangements) for the shadow period and for East Surrey Council beyond Vesting Day on 1 April 2027.

The policy was intended to provide a safe and accessible route for staff, contractors and others to report concerns about wrongdoing or risks within the organisation. Officers emphasised that the document had been framed as a broader "Speak Up" policy rather than solely a whistleblowing policy in order to support a positive organisational culture where concerns could be raised early and channelled through the most appropriate process.

Members supported the principles behind the policy but expressed a view that the draft required substantial further development before adoption. Officers advised that if Members were not comfortable approving the policy in its current form, it could be revised and brought back to the Committee's November meeting.

The following matters were considered:

- a) **Confidentiality Protections.** Members considered that confidentiality should be assumed wherever possible, rather than relying on individuals specifically requesting it. Concerns were raised that some people might be deterred from raising concerns if they were uncertain how their identity would be protected. It was suggested that clearer processes be developed to demonstrate how confidentiality would be maintained.
- b) **Fair Treatment and Protection of Individuals.** Members considered that the draft contained strong statements of intent but lacked sufficient detail on how fairness, independence and objectivity would be delivered in practice. It was requested that clearer safeguards be put in place to reassure individuals that their concerns would be handled impartially.
- c) **Assessment and Triage of Concerns.** It was suggested that concerns should be subject to a structured initial assessment process, including the identification of immediate risks, escalation requirements and investigation

timelines. Members considered this particularly important for ensuring consistency and preventing delays in addressing serious matters.

- d) **Raising Concerns and Accessibility.** Members considered that the process for raising concerns needed to be simple, clear and accessible. Suggestions included the creation of a dedicated reporting contact point, a confidential helpline, Speak Up champions roles within the organisation, and access to independent support for individuals who wished to raise concerns but required assistance in doing so.
- e) **Clarity of Reporting Routes.** It was felt that the multiple reporting routes described in the draft could be confusing for users. They suggested simplifying the process and potentially introducing a decision matrix to help staff identify the most appropriate route for the concern.
- f) **Communication with Those Raising Concerns.** Members considered the importance of keeping individuals informed throughout investigations. They argued that complainants should receive updates on progress, outcomes and any findings, even where confidentiality considerations limited the information that could be shared.
- g) **Duty to Speak Up.** Some Members suggested that the Council should consider not only providing opportunities to raise concerns but also creating an expectation that employees have a responsibility to report issues where appropriate.
- h) **Reporting Frequency to the Committee.** It was questioned whether annual reporting on the policy would be sufficient. It was suggested that more frequent reporting initially may be appropriate.
- i) **Malicious Complaints.** Members sought greater clarity regarding the circumstances in which a complaint might be regarded as malicious and how such conclusions would be reached. Officers acknowledged the complexity of the issue and noted that malicious intent often only becomes clear through investigation.
- j) **Appeals and Review Mechanisms.** It was suggested that individuals dissatisfied with the handling or outcome of their concerns should have access to a review or appeal process and that these arrangements should be more clearly defined.
- k) **Anonymous Concerns.** Members discussed the treatment of anonymous concerns. Whilst recognising the difficulty of assessing anonymous allegations, there was general support for retaining the ability to investigate them where appropriate rather than dismissing them automatically.
- l) **Relationship to other Policies.** Questions were raised regarding how the policy would interact with various employment and governance policies.

Members requested greater clarity regarding the distinction between the policy itself and the supporting procedures that would sit underneath it.

- m) **Application to Schools and Education Settings.** Members sought clarification regarding the extent to which schools could or should be expected to adopt the policy. Officers agreed to look into the matter further.
- n) **Public Access to the Process.** Members emphasised that the policy should be easily understandable and accessible not only to staff but also to members of the public, contractors and any others who may wish to raise concerns about council activities.

Throughout the debate, Members repeatedly indicated that they supported the objectives of the policy in principle but wished to see a revised draft incorporating the detailed suggestions made during the meeting before formal adoption. Following consideration, the Committee agreed that the policy should not be adopted at this stage. Officers were requested to:

- a) Revise the policy, taking account of Members' comments.
- b) Share a revised draft with Committee members ahead of the next meeting for informal feedback.
- c) Present the revised policy to the November 2026 Committee meeting for further consideration.

12 APPOINTMENT OF CO-OPTED MEMBERS TO THE AUDIT AND GOVERNANCE COMMITTEE

The Committee received a report requesting that the East Surrey Shadow Audit and Governance Committee consider and endorse 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.

The report explained that CIPFA guidance recommends at least one independent member on local authority audit committees and that the Government intends to make such appointments a statutory requirement. Independent members would provide additional expertise, continuity beyond the electoral cycle, enhanced scrutiny and independent perspectives on governance, audit and financial matters. The Shadow Constitution already provided for such appointments.

The following matters were considered:

- a) **Value of Independent Oversight.** Members acknowledged the benefits that independent members could bring to the Committee, in the form of external expertise, alternate perspectives and additional scrutiny that would complement the experience of councillors on the Committee.

- b) **Appointments Extending Beyond Vesting Day.** In response to a query from the Committee, Officers confirmed that Independent Member appointments made prior to vesting day were intended to be sustained beyond vesting day, through to the proposed date of March 2031.
- c) **Independence and Impartiality of Recruitment.** Officers provided Members with assurance that the recruitment process would be objective and transparent, particularly given that successful candidates would ultimately scrutinise the Council's governance arrangements.
- d) **Recruitment and Advertising.** Officers outlined plans to maximise the pool of candidates by advertising the role via public advert, the Council's website and social media, as well as through more specialist recruitment channels.
- e) **Practical Benefits of Appointing Two Members.** Members considered that two independent members would provide a greater breadth of experience and expertise than a single appointment. Having two members would also reduce the risk of meetings proceeding without any independent representation if one of the members was unavailable.
- f) **Independent Member Presence at Meetings.** In response to a query from the Committee, Officers confirmed that, should independent member(s) be appointed to the Committee, it would not be a requirement for any of those independent members to be present at meetings of the Committee in order for business to be transacted.

Councillor Fran Fish nominated Councillor Eva Ferlez for appointment to the recruitment panel – this was seconded by Councillor Barry Maguire. Councillor Mark Johnston nominated the Chair of the Audit and Governance Committee for appointment to the Panel – this was seconded by Councillor Alan Parker. Subsequently, the Committee unanimously agreed to appoint Councillor Eva Ferlez and the Chair of the Audit and Governance Committee (Councillor Tim Snuggs) to the Panel.

Following consideration, the Committee resolved (13 for, 1 against) 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.

13 FORWARD WORK PROGRAMME 2026-27

The Committee received its forward work programme for 2026-27.

Members noted that the programme should be updated to include:

- a) The final Financial Procedure Rules and Procurement and Contract Procedure Rules scheduled for consideration in November 2026.

- b) The revised Speak Up Policy returning to the Committee in November 2026.

The Committee noted the Forward Work Programme, subject to the inclusion of the additional items identified during the meeting.

The meeting concluded at 4.09 pm

Officers in Attendance:

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

Daniel Bainbridge, Interim Monitoring Officer

Dan Clackson, Democratic Services Officer

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**EAST SURREY SHADOW AUTHORITY
AUDIT AND GOVERNANCE COMMITTEE**

MEETING DATE: 2 November 2026

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

SUBJECT: Finance Procedure Rules and Procurement and Contract Procedure Rules

Purpose of the Report:

This report presents the proposed Finance Procedure Rules and the Procurement and Contract Procedure Rules to the Shadow Audit & Governance Committee for consideration and endorsement prior to inclusion in the draft Constitution for East Surrey Council.

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. It is therefore essential that the unitary authority of East Surrey establish new Procedure Rules ahead of vesting day on 1st April 2027.

The Finance Procedure Rules and the Procurement and Contract Procedure Rules ("the Rules") importantly set out arrangements for how the council:

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

Recommendations:

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

1. Consider the proposed Finance Procedure Rules and recommend to the Constitution Committee its inclusion in the constitution for East Surrey Council for approval by the Shadow Authority; and
2. Consider the proposed Procurement and Contract Procedure Rules (PCPRs), including the proposed internal threshold, and recommend to the Constitution Committee its inclusion in the constitution for East Surrey Council for approval by the Shadow Authority; and

3. Support the principle of Procurement oversight and visibility of procurements valued between £25,000 and £100,000 to promote compliance, identify aggregation opportunities and enhance value for money.

Reason for Recommendations:

As part of the preparations for Vesting Day, it is a requirement for East Surrey Council to have approved Finance and Procurement and Contract Procedure Rules to include in the Constitution of East Surrey Council. The Shadow Audit & Governance Committee are asked to review the proposed procedural rules and endorse for inclusion in the Constitution ahead of approval by the Shadow Authority.

Options, including alternatives (if any)

4. Annexed to this report are proposed Finance Procedure Rules and Procurement and Contract Procedure Rules, developed in line with feedback detailed in this report. The Options for committee are therefore:

Option 1: Endorse the proposed Finance Procedure Rules and Procurement and Contract Procedure Rules for inclusion in the new Constitution of East Surrey (recommended)

This option is recommended for the following reasons:

- Allows the progression of the proposed Rules through relevant Committees ahead of inclusion in the Constitution before Vesting Day.
- Acknowledges the proposed Rules as best suiting the size and nature of the new organisation, being a good fit when viewed against benchmarking and related analysis, and appropriately articulating the necessary governance and controls in respect of finance and procurement activity.
- Allows Officers across Finance and Procurement time to develop the necessary processes and guidance required to support the implementation of the rules from vesting day, and minimises the level of change to existing processes and systems, when compared to existing practice.
- Endorsing these Rules does not prevent review and revisions in the initial year(s) of the new East Surrey Authority.

Option 2: Make amendments to the proposed Finance Procedure Rules and/or Procurement and Contract Procedure Rules prior to their inclusion in the new Constitution of East Surrey

The Audit & Governance Committee are asked to raise any specific amendments or suggestion they have in relation to the attached procedure rules for consideration by relevant statutory officers and Local Government

Reorganisation workstreams before the final draft is proposed for inclusion in the Constitution.

Option 3: Do not approve the proposed Finance Procedure Rules and/or Procurement and Contract Procedure Rules

If the Audit & Governance Committee do not endorse the Procedure Rules, there is risk to the timeline for agreeing the Constitution for East Surrey. It will also limit the time available for officers to prepare colleagues for working to the new rules post vesting day.

The Committee will need to give detailed guidance regarding desired content for a revised set of Rules and allow time for re-drafted and consultation of new sets of Finance and/or Procurement and Contract Procedure Rules.

Summary:

Finance Procedure Rules

Context

5. 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.
6. The Draft Finance Procedure Rules were previously discussed at East Surrey Shadow Audit and Governance Committee on 2nd September 2026. This early draft did not contain any financial thresholds but feedback was given on its form and content.

Changes since last iteration

7. Feedback from the committee and senior officers has been incorporated into the Finance Procedure Rules as follows:
 - 7.1. Greater clarity has been provided on when non-compliance to these rules would be considered substantial and the reporting lines changed to include Audit and Governance Committee in all instances (FR2.12).
 - 7.2. Specific reference has been made to the monitoring of grants and contributions to the Voluntary Community & Social Enterprise sector (FR19.5).
 - 7.3. Reference has been made to hosting arrangements and the requirement for hosted teams to abide by the Finance Procedure Rules of the authority for which they are completing work, not where they are based (introduction).

Financial thresholds

8. Various financial thresholds have been proposed throughout the document. These have been based on the existing thresholds in all current Surrey authorities and, where information was available, have been benchmarked against organisations of similar sizes. The thresholds have been discussed and agreed with statutory officers and by the LGR Finance workstream.

Procurement and Contract Procedure Rules (PCPRs)

Context

9. Local Government Organisation (LGR) and the formation of the new unitary authority of East Surrey requires the development of new constitutional procedures for the procurement and management of contracts. This presents an opportunity to create a new set of procedures rather than simply amend or combine existing documents from across the County (SCC) and District and Borough (D&B) organisations.
10. The proposed approach to the development of the Procurement and Contract Procedure Rules (PCPRs) was discussed by the Audit and Governance Committee on 2 September 2026¹. Combined feedback from this body, statutory officers, the Procurement Workstream and related stakeholders is summarised and responded to as follows:
- **Glossary:** A list of definitions has been included in Appendix 1 of the PCPRs.
 - **Be clear on scope, regulations, principles (including value for money):** Sections 1, 2 and 4 of the PCPRs cover these requirements.
 - **Exemptions:** Position earlier in the document and provide comprehensive details. Consider inclusion of Grants. Section 3 of the PCPRs includes details of exemptions and what rules apply instead. Grants are covered in the Finance Procedure Rules.
 - **Strengthening of contract management:** Ensure contract management responsibilities are clear, strengthen the provisions, and ensure a dedicated contract manager for significant contracts. Comprehensive contract management requirements are covered in sections 11-13 of the PCPRs, including the requirement to have a named contract manager, adhere to the Contract Management Framework, and provide performance monitoring reports where required.
 - **Ethical Procurement:** Feedback included suggestions of separate sections for social value and climate change, what should be considered, monitoring arrangements and the need for separate policies. Section 7 entitled “Social Value, Environmental Sustainability and Ethical Procurement and Supply Chains” covers a broad range of ethical procurement considerations. Grouping these together has the advantage of presenting all ethical considerations together, with sub-sections clearly

¹ [Financial Procedure Rules and Contract Standing Orders.pdf](#)

calling out the separate policy matters and appearing in the table of contents. In respect of each policy area:

- **Social Value:** The PCPRs reference the Social Value Model, an outcomes-focused methodology based on best practice, with outcomes aligned to strategic priorities. At the earliest opportunity, the outcomes reflected in the model will be updated to reflect the strategic priorities of the new unitary authority. Further work will be required post-vesting to refine the model or models, as directed. References are also made to the Social Value Policy, evaluation approach and minimum weightings, reporting against delivery plans and other requirements to help the delivery of social value.
- **Climate Change and Environmentally Sustainable Procurement:** the section highlights key aspects of, and refers to, the Environmentally Sustainable Procurement Policy, and states that all procurements must make appropriate inclusions such as specifications, tender questions, KPIs etc to deliver environmental benefits covering:
 - Climate Change Mitigation and Adaptation;
 - Prevention of Pollution;
 - Sustainable Resource Use and Consumption; and
 - Protection and Restoration of Biodiversity.
- **Modern Slavery and Ethical Supply Chains:** requires Officers to have due regard to the risk of modern slavery, human trafficking and unethical labour practices within authority supply chains. Includes appropriate due diligence to be undertaken to mitigate the risk of exploitative practices.
- **Thresholds:** Analysis and review undertaken to assess the appropriate thresholds above which procurement must lead activity, including benchmarking, is included in Annex 2.
- **Local Government Reform (LGR):** Consideration of whether additional inclusions are required to deal with specific matters arising from LGR. Section 15 of the PCPRs sets out guidance relating to specific LGR related matters.
- **Legal involvement:** Ensure clear guidance on legal involvement in procurement processes. Sections 13.3 and 13.4 reference legal involvement, with more detail pending in the related 'How to Buy Guide'. The governance table in Appendix 3 of the PCPRs further sets out when legal must be involved in contract drafting and signing.
- **Further approvals:** Be clear when these are required, for example project overruns, contract modifications, scope creep etc alongside cost changes. These are set out across the PCPRs, e.g. section 5 and 13 and in the Governance Tables found in Appendix 3 of the PCPRs.

Internal Threshold for Procurement Involvement and Other Governance Decisions

11. The PCPRs set out the contract value above which Procurement must undertake procurement activity. Annex 2 to this paper sets out analysis undertaken to consider different internal thresholds using the following information:
 - **Benchmarking:** Thresholds used by a range of authorities of varying sizes.
 - **Contract Volumes:** Estimates of contract / procurement project volumes for the two new unitary councils at different value thresholds.
 - **Resource levels:** Comparison of staffing levels and current work volumes vs. the threshold options
12. The conclusion of that analysis is that an internal threshold of £100,000 is recommended. This would apply to goods, works and services, with some variations in respect of contracts procured using Light Touch or the Provider Selection Regimes, and also any Concessions contracts.
13. The following risks have been identified in relation to the proposed internal threshold of £100,000 (ex VAT):
 - **Visibility and savings opportunities:** a potential lack of visibility of activity below £100k limits the ability to aggregate contracts and achieve savings from economies of scale.
 - **Level of process change:** existing County council and some District and Borough council processes and systems are set up to undertake procurement work at different levels.
 - **Oversight and regulatory compliance:** alternative measures need to be put in place to ensure Procurement Act 2023 publishing requirements and considerations for convertible procurements (where, by way of extension or modification, a contract originally below the regulatory threshold is pushed above that threshold), can be met.
14. It is therefore proposed that arrangements for Procurement oversight of procurements between £25,000 and £100,000 are established. Greater visibility of planned procurement activity in this range would support the identification of aggregation opportunities, efficiencies and other value-for-money benefits and aid in detecting non-compliance, whilst avoiding the resource implications of requiring Procurement to lead all such procurements. To achieve this, the PCPRs include the following requirements in respect of contract values between £25,000 and £100,000 (section 10.6 of the PCPRs):
 - Procurement must be informed of the intention to procure prior to the commencement of the procurement exercise;
 - Procurement must approve procurements before they proceed;

- Procurement reserve the right to call in any procurement for review to ensure that it is following all appropriate regulations, and may, in exceptional circumstances, step in and take over the procurement process to be run within the procurement team;
 - Procurement may refer the purchase to be undertaken by Procurement where it has been identified as an opportunity for aggregation or financial opportunities (cost saving);
 - The Service must run the procurement on the e-sourcing platform applicable at the time of the procurement (with LGR transition arrangements in place where they do not have such access);
 - The Service is responsible for ensuring any notices required under PA23 are published in time and to sufficient quality, and for informing Procurement that this has occurred; and
 - The Service is responsible for ensuring all internal system records relating to the procurement and the contract are made and maintained and can provide an appropriate audit trail.
15. Other key governance points are set out in the Appendix 1 of the Procurement and Contract Procedure Rules (themselves contained in Annex 3 of this paper). The table in Appendix 1 of the PCPRs covers the following governance matters:
- Procurement Route Options
 - Who must authorise Approval to Procure
 - Procurement Process
 - Type of Contract Required
 - Who must approve Contract Award prior to commencement
 - Who signs the contract on the Council's behalf

Consultation:

16. The Procedure Rules have been developed in collaboration with Officers from the Finance & Property and Procurement LGR workstreams, Shadow Authority interim statutory officers and related stakeholders, and are based on feedback from Shadow Audit & Governance Committees.

Risk Management and Implications:
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17. The principal risk is that the Council does not have a comprehensive set of Finance Procedure Rules and/or 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.

18. In addition, there is various legislation relating to procurement activity, in particular 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 but the authority's ability to comply with this legislation at risk.
19. These risks can be best mitigated by engaging in activity to refine the proposed Rules and supporting their progress through the democratic process.

Financial and Value for Money Implications:
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20. 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 minimise the risk of financial loss. This will ensure that value for money is embedded as a core value of the new authority and maximise value for money.
21. There may be financial and value for money implications should the authority elect to set financial thresholds different to those proposed, for example reducing the proposed thresholds would require increased resources to deliver procurement activity so would have to be considered against the value for money of doing so.

Section 151 Officer Commentary:
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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 Council 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 proposals in this paper and associated annexes ensure that East Surrey Council will have robust Financial, and Procurement and Contract Procedure Rules in place for Vesting Day. They set out the proposed initial set of rules for the new Council and are considered appropriate thresholds for a local authority of the size and scale of East Surrey Council. Regular review of these procedure rules will be important on an ongoing basis, but particularly in the early months and years of the new Council, to ensure that they deliver the

appropriate balance between ensuring strong internal control and the ability to deliver essential services to residents.

25. The proposed procedure rules support a culture of strong financial management and budget accountability, encouraging good financial decision-making and value for money.

Legal Implications (Monitoring Officer Commentary):
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26. 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. This process complies with the Shadow Authority Constitution and the Surrey (Structural Changes) Order 2026.

Workforce Implications (People/Human Resources Commentary)

27. There are no direct staffing or employment implications arising from the approval of the proposed Procurement and Contract Procedure Rules. Their implementation will, however, change responsibilities for some officers, particularly where services will be required to undertake procurement activity below the £100,000 internal threshold. Clear guidance, training and access to appropriate systems will therefore be required so that officers understand their responsibilities and have the capability to comply with the new arrangements. The impact on workloads and capacity within both services and the Procurement hosted shared service should be monitored during implementation, with any material changes to roles or working arrangements managed through the Council's usual people management and consultation processes.

Equality and Diversity:

28. 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, and references to equality and diversity policies are written into the PCPRs.

Climate Change and Sustainability:

29. There are no direct climate change and sustainability impacts arising directly from this report. However, the proposed PCPRs do set out requirements for considering these matters at the time of any given procurement and so, accordingly sustainability and related considerations will be made at the time any applicable individual procurement or financial transaction is undertaken.

What Happens Next:

30. The proposed Procedure Rules and associated supporting documents are due to be considered by:

- Audit and Governance Committee – November 2026
- East Surrey Constitution Committee - December 2026
- East Surrey Shadow Authority – January 2027

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Annexes:

Annex 1 – Finance Procedure Rules

Annex 2 - Internal Thresholds Data Analysis (exempt from publication under regulation 3 of Schedule 12A of the Local Government Act 1972 as it relates to the financial or business affairs of the predecessor councils)

Annex 3 – Procurement and Contract Procedure Rules

Sources/background papers:

East Surrey Shadow Authority Audit and Governance Committee, 2 September 2026, East Surrey Constitution: Financial Procedure Rules & Procurement and Contract Procedure Rules: [Financial Procedure Rules and Contract Standing Orders.pdf](#)

Regulatory procurement Thresholds: [Guidance: Thresholds \(HTML\) - GOV.UK](#)

Financial Procedure Rule (FR)	Description
	Introduction
FR1	Scope of Financial Procedure Rules
FR2	Roles and Responsibilities
FR3	Information Affecting the Council's Finances
FR4	Preparation of Financial Plans
FR5	Authority to incur Revenue Expenditure
FR6	Financial Monitoring
FR7	Virement of Revenue Budgets
FR8	Fees and Charges, Commercial Activities
FR9	Council Tax and National Non-Domestic Rates
FR10	Carry Forward of Unspent Budgets
FR11	Reserves
FR12	Authority to incur Capital Expenditure
FR13	Monitoring the Capital Programme
FR14	Financial Accounts
FR15	Duty to carry out Audit
FR16	Financial Irregularities
FR17	Ordering Procedures
FR18	Consultants and Contractors
FR19	Contracting Arrangements
FR20	Payment of Salaries and Wages
FR21	Income Collection and Banking Arrangements
FR22	Adult Social Care Assessed Fees & Charges Debt Management and Bad Debt Write Off
FR23	Debt Management and Bad Debt Write Offs Not Relating to Adult Social Care Assessed Fees & Charges
FR24	Assets
FR25	Stocks and Stores
FR26	Estates
FR27	Risk Management and Insurance
FR28	Treasury Management

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.

Hosted Services

Services Hosted by East Surrey Council, on behalf of West Surrey Council will deliver their service in accordance with the relevant Financial Procedure Rules and governance arrangements of the Authority who is the beneficiary of the service, including adherence to the terms laid out in the Inter Authority Agreement (IAA).

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.

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 Procedure Rules

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. 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 their 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 their 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 to be a significant risk. A significant risk will be the judgement of the S151 officer but would be determined with reference to whether the non-compliance could result in material financial loss, inaccurate financial reporting, misuse or misappropriation of funds, fraud, breach of statutory or regulatory obligations or significant failure of financial accountability and control. The report shall be made initially to the Leader and, following that, to the Audit and Governance Committee and any other 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 i.e. 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.

FR2.16 Senior Officers may delegate day to day management to a Budget Manager in their 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 for managing income and expenditure and ensuring 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 staff working 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 themselves 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 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 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 (hereafter referred to as "funding opportunities") applicable to their service area.

FR4.6 All bids for funding opportunities for externally funded schemes shall be made in consultation with the Section 151 Officer or their deputies 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 approval workflows built into the General Ledger system and Procurement Procedure Rules, as follows:

Management Tier	Approve up to
Tier 7	£1,000
Tier 6	£10,000
Tier 5	£20,000
Tier 4	£100,000
Tier 3 Director	£250,000
Tier 2 Executive Director	£500,000
S151	£500,000+

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.

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 £50,000; 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.

FINANCIAL PROCEDURE RULE 6 - FINANCIAL MONITORING

FR6.1 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.

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.

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 £1m	S151 Officer (following consultation with appropriate Executive Director)
£1m and above	The Executive (following consultation with relevant Executive member, Executive Director and S151)

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 Senior Finance Manager. 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 INCLUDING GOVERNANCE OF COMPANIES AND PROPERTY HOLDINGS

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 Commercial 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 appropriate shareholder governance board, and additionally by the appropriate strategic governance board, if greater than the Key Decision Threshold.

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 appropriate governance boards.

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 Combined Fire and Rescue Authority 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
Up to £1m	S151 Officer (following consultation with appropriate Executive Director)
£1m and above	The Executive (following consultation with relevant Executive member, Executive Director and S151 Officer)

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 appropriate officer-led governance boards.

Capital expenditure by subsidiaries is the responsibility of the respective company Boards as detailed in **FR8.10**.

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:

	New project	Existing project*
Senior Finance Manager or their nominated officer for Information Technology, Infrastructure and Property.	Initial assessment – all values	
S151-chaired officer board	Up to £1,000,000	Up to £500,000
Executive	£1,000,000+	£500,000+

* 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.

Strategic Capital Groups comprise of the Head of Service or their nominated officer and Senior Finance Manager.

The Capital Programme Panel comprises of the Section 151 Officer or their nominated officer, the chairs of the Strategic Capital Groups and other nominated officers.

Where overarching capital programmes are included in the capital budgets approved by the Executive and Council as part of the capital budget setting process, 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 to the relevant Executive Member(s) and Executive Director(s), subject to scrutiny of business cases by the S151-led officer board. 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 S151-led officer board 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 Appendix 1

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 to enable regular reports to be submitted to DLTs, CLT, Scrutiny Committees and to the Executive.

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 capital governance board 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 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.

FR14.6 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.

FINANCIAL PROCEDURE RULE 14 - DUTY TO CARRY OUT AUDIT

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 their 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;
- Gain 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 their 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 their 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 their 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 £1,000.

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 Agency/interim staff should be procured through the authority's preferred supplier wherever possible.

FR18.3 When the appointment is for specific projects, the Chief Executive must approve interim staff, consultant or contractor appointments where the fee exceeds £50,000 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 £100,000 or over, must be subject to competitive tender and review by the regular procurement governance process before approval by the Chief Executive. The 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 £100,000, the Executive's approval is required. Appropriate approval must be obtained before entering into any proposed partnership.

FR19.5 Where grants or contributions are made to the Voluntary, Community, and Social Enterprise (VCSE) sector the terms of such awards should be clearly set out and monitoring of delivery against any requirements relating to the award should be undertaken. This is the responsibility of the responsibility of the awarding service.

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 Employment Committee (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 their 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 MANAGEMENT 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 £100,000 per 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 £5,000 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 £100,000 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	Up to £10,000
Business Rate	Up to £20,000
Housing Benefit	Up to £10,000
Housing Rent	Up to £10,000
Sundry debt	Up to £10,000

FR23.2 The Section 151 Officer has the authority to approve write offs not covered in FR23.1 of unpaid debts up to the value of £50,000 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 £50,000 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

The Council will maintain two provisions for bad debts (in addition to the one relating to unpaid Adult Social Care assessed fees & charges) as follows:

- A specific provision for all debt outstanding with Integrated Care Boards (ICBs).
- A general provision for all other 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 Procedure Rules or Section 11 set out above (Authority to incur capital expenditure).

FR24.2 All acquisitions and disposals of land and buildings must be approved by

Amount	Minimum approval required
Up to Key Decision Threshold	S151 Officer-led officer board and appropriate Executive member
Above Key Decision Threshold	Executive

These values relate to freehold and leasehold properties.

FR24.3 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.

FR24.4 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.

FR24.5 Authority is delegated to the appropriate committee to approve individual purchases of land or buildings within the district at or above £5 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 £10,000 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 their 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.

FR24.14 Inventory records can be adjusted where a surplus or deficiency arises according to the following approval:

Amount	Minimum approval required
Up to £2,500	Senior Officers
£2,500-£5,000	S151
£5,000+	Executive

FR24.15 Appropriate investigations should be carried out to establish the reasons for the surplus or deficiency and prevent a recurrence. Records of such adjustments are subject to Internal Audit inspection.

FR24.14 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 £10,000 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 their 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 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 them.

FR27.7 Any person who makes use of their 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 their 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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Glossary

Acronym	Meaning
ABO	Accountable Budget Officer
CLT	Corporate Leadership Team
DLT	Directorate Leadership Team
FSMT	Finance Senior Management Team
ICB	Integrated Care Board
MLRO	Money Laundering Reporting Officer
MTFS	Medium-Term Financial Strategy
S151	Section 151 Officer
Term	Definition
Accountable Budget Officer (ABO)	A senior officer with overall accountability for a group of budgets, responsible for planning, managing resources, delivering service priorities, and remaining within the approved budget envelope.
Annual Revenue Budget	The approved expenditure and income plan for a financial year.
Assets	Property, land, buildings, vehicles, equipment, IT hardware, stocks, stores, and other resources owned or controlled by the Council.
Audit and Governance Committee	Committee responsible for oversight of governance, audit, risk management, treasury management reporting, and approval of the Statement of Accounts.
Bad Debt	Income due to the Council that is considered unlikely to be recovered and may be written off following approval procedures.
Bad Debt Provision	A financial allowance set aside to cover anticipated losses from unrecoverable debts.
Budget Envelope	The total approved funding available for a service, directorate, or activity.
Budget Manager	Officer with day-to-day responsibility for managing specific budgets and ensuring effective use of resources.
Capital Expenditure	Expenditure on assets, infrastructure, property, investments, or projects providing benefits over more than one financial year.
Capital Programme	Approved portfolio of capital projects and schemes funded by the Council.
Capital Programme Panel	Officer group responsible for reviewing and approving specified capital investments and variations within delegated limits.
Capital Strategy	Long-term plan for capital investment, asset management, and capital financing.
Chief Internal Auditor	Officer responsible for leading internal audit activity and investigations into financial irregularities.
CIPFA	Chartered Institute of Public Finance and Accountancy. Sets professional codes and guidance for local government finance, treasury management, and accounting.
CLT (Corporate Leadership Team)	Senior officer leadership group receiving financial monitoring and performance reports.
Commercial Rate Card	Corporate schedule used to calculate the cost of officer time and overheads when determining service charges.
Debt Write-Off	Formal process of removing an unrecoverable debt from the accounts after appropriate approval.
Directorate Leadership Team (DLT)	Directorate-level management team responsible for overseeing service and budget performance.

Fees and Charges	Amounts levied by the Council for services provided, statutory or discretionary.
Financial Irregularity	Any actual or suspected fraud, corruption, misappropriation, or misuse of Council resources.
Financial Monitoring	Ongoing review of expenditure, income, forecasts, savings, and budget variances.
Full Council	Body of all elected members responsible for approving the policy framework, budget, and key financial strategies.
Integrated Care Board (ICB)	NHS organisation referenced in relation to debt management and bad debt provisions.
Inter Authority Agreement	A formal legal contract between two or more public bodies or local government councils. It sets out how they will work together, share resources, or run joint service.
Internal Audit	Independent assurance function reviewing governance, risk management, and internal controls.
Investment Strategy	Strategy governing the Council's investments and associated risks and returns.
Medium-Term Financial Strategy (MTFS)	Multi-year plan showing how the Council will balance resources, spending, and priorities over future years.
Monitoring Officer	Statutory officer responsible for governance, legality, and constitutional compliance.
Procurement Standing Orders (PSOs)	Rules governing procurement, purchasing, tendering, and contract management activities.
Reserves	Funds set aside for future expenditure, risks, contingencies, or specific purposes.
Section 151 Officer	Statutory Chief Finance Officer responsible for the proper administration of the Council's financial affairs under the Local Government Act 1972.
Strategic Capital Group	Officer group responsible for assessing and approving lower-value capital projects and variations.
Strategic Investment Board	Governance body overseeing significant investments and subsidiary-related decisions.
Statement of Accounts	Annual statutory financial statements presenting the Council's financial position and performance.
Treasury Management	Management of the Council's cash flows, investments, borrowing, and financial risks.
Treasury Management Strategy	Annual strategy governing borrowing, investing, and treasury risk management activities.
Virement	Approved transfer of budget provision from one budget heading to another.

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Procurement and Contract Procedure Rules

East Surrey Council

Version XX Month/Year

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1. Introduction and Purpose

- 1.1. These Procurement and Contract Procedure Rules (“PCPRs” or “the Rules”) govern the procurement of all supplies of goods, works and services, including healthcare services, via any payment route, for the Council and set out the responsibilities and procedures to be followed by Officers when undertaking procurement activity on behalf of the Council.
- 1.2. The Council is required by section 135 of the Local Government Act 1972 to maintain these Procedure Rules as part of the Constitution.
- 1.3. Detailed operational guidance on how to conduct compliant procurements is contained within the Procurement How to Buy Guide (“How to Buy Guide” or “the Guide”). The Guide should be read in conjunction with these Rules and all applicable legislation, policies and statutory guidance.
- 1.4. Officers must be able to demonstrate that decisions are lawful, deliver value for money, manage risk appropriately and are supported by an audit trail.
- 1.5. The procurement lifecycle spans from the identification of need through to contract expiry or the end of the useful life of an asset. It includes an options appraisal and consideration of whether requirements should be delivered through internal provision or external procurement.
- 1.6. Failure to comply with these Rules may result in procurement decisions being challenged, contracts being declared ineffective or set aside, financial penalties, reputational damage, audit recommendations, and disciplinary action against responsible Officers. Non-compliance may also constitute a breach of statutory procurement obligations, undermine transparency and value for money, and expose the authority to legal, financial, reputational and operational risk.
- 1.7. The Director of Procurement is the custodian of these Rules and is responsible for keeping them under review. The Director of Procurement shall have delegated authority to make the following incidental amendments to these Orders from time to time:

- a. Changes to the Regulatory Thresholds set out in the applicable Procurement Legislation to reflect changes made by central government;
- b. Changes to job titles, departments and roles of staff where these reflect organisational changes (i.e. not where doing so would in effect alter a delegation of authority);
- c. Links or references to or contained within Appendix 1; and
- d. Changes required to clarify or add or remove definitions.

2. Scope

- 2.1. The PCPRs apply to all employees, Officers, consultants and other individuals acting on behalf of the Council(s) who are involved in the commissioning, procurement, award and management of contracts for goods, services, works and healthcare services.
- 2.2. The PCPRs operate alongside applicable legislation, including the Procurement Act 2023 (PA23), Procurement Regulations 2024, Public Contract Regulations 2015 (PCR2015), Provider Selection Regime (PSR), Public Services (Social Value) Act 2012, and any other relevant statutory requirements. They should be read in conjunction with the Council's Finance Procedure Rules, Scheme of Delegation, and any other Council policy that relates to the activities being undertaken (for example prevailing policies covering matters such as Social Value, Environmentally Sustainable Procurement, and Equality and Diversity). Where there is a difference between Procurement Legislation and these Rules and/or other policies, Procurement Legislation prevails.
- 2.3. Officers undertaking procurement activity through a shared service arrangement shall be subject to the Procurement and Contract Procedure Rules (or equivalent) of the Council on whose behalf they are acting, irrespective of their employing organisation.

Exemptions

- 2.4. The following contracts and/or contracting activities are exempt from these Rules:

Exemption	Notes
Services exempt under Schedule 2 of Procurement Act 2023 (or relevant exemptions under previous procurement legislation)	See link in Appendix 1
Contracts for the acquisition or lease of land and/or real estate	Managed via Property Services
Contracts for permanent or fixed-term employment	HR/Recruitment Policies
Direct payments to customers following care assessment (for example, payments under Self-Directed Support or Individual Budgets)	Governed under The Care Act 2014
Non-trade mandatory payments to third parties, such as insurance claims, pension payments, payments to public bodies	
A declared emergency authorised by the Emergency Planning Officer / Emergency Planning and Resilience Team.	The Civil Contingencies Act 2004 / Council's emergency planning or business continuity procedures
Awarding of Grants	Managed according to locally agreed Grant policies or process
Placement of a Child & Young Person with Special Educational Needs & Disabilities where already directed following statutory assessment including but not limited to, overarching contracts with independent schools.	Children and Families Act 2014, Education Act 1996, SEND Code of Practice: 0 to 25 years, and/or any guidance issued by the Education and Skills Funding Agency

3. Roles and Responsibilities

- 3.1. Whilst specialist advice and support are available from Procurement, Legal, Finance, and other professional functions, responsibility for ensuring compliance with these Rules and accountability for the successful delivery of the procurement and resulting contract rests with the relevant budget holder and contract owner.
- 3.2. Directors are responsible for ensuring that effective governance and oversight arrangements operate within their services.

4. Procurement Principles

- 4.1. The Authority will undertake all procurement activity in accordance with the principles of:
- Value for money and efficient use of public resources.
 - Maximising public benefit through the delivery of economic, social and environmental outcomes.
 - Maximising income generation through contracts and commercial opportunities.
 - Transparency, accountability and openness in decision making.
 - Integrity, ethical conduct and management of conflicts of interest.
 - Fair treatment of suppliers and the promotion of effective competition.
 - Proportionality, ensuring procurement activity is appropriate to the value, risk and complexity of the requirement.
 - Social Value.
 - Sustainability and the Authority's environmental objectives.
 - Equality, Diversity and Inclusion in accordance with the Equality Act 2010.
 - Support for small and medium-sized enterprises (SMEs), voluntary, community and social enterprise organisations (VCSEs), and innovation.
 - Collaboration and partnership working where this delivers better outcomes.

- 4.2. In undertaking procurement activities, the Authority shall have regard to the Public Services (Social Value) Act 2013, National Procurement Policy Statement and any subsequent procurement policy statements and requirements issued by the Government.

5. Governance Framework

- 5.1. Procurement decisions must be taken in accordance with these Rules, the Council's Constitution, Scheme of Delegation and Finance Procedure Rules. Officers must obtain the approvals specified in Appendix 2 before commencing a procurement, awarding a contract, approving a contract modification, exercising a contractual option, or taking any other procurement-related decision requiring approval. Decisions must be supported by an appropriate audit trail.

Procurement Board

- 5.2. Approval from the Procurement Board (or any equivalent and/or successor body) must be obtained before commencing procurement activity where the proposed spend is subject to Procurement Board review in accordance with the Council's current governance requirements.
- 5.3. Details of the categories, thresholds and approval requirements are available on the intranet or via the link in [Appendix 2](#).
- 5.4. Approval from the relevant budget holder(s) must be obtained before commencing any procurement activity to ensure that funding is available and expenditure has been appropriately authorised.

Approval to Procure and the Procurement Forward Plan (PFP)

- 5.5. To support effective planning and oversight of procurement activity throughout the Council, the Director of Procurement will develop and maintain a Procurement Forward Plan (PFP). The plan will be divided into two parts:

PFP Part A: Approval to Procure and Delegated Authority to Award

- 5.6. A detailed 12-month forward plan will be maintained for each Directorate (or equivalent), setting out all contracts above the Goods and Services

Regulatory Threshold which require renewal or replacement, together with any new procurement requirements expected within the next financial year.

- 5.7. PFP: Part A shall be developed during the annual business planning cycle and agreed with the relevant Service Directors, following consultation with Finance Officers. The Plan shall then be submitted to the **Executive** for approval. **Executive** approval of PFP: Part A shall constitute approval to commence the procurement activities identified within it (Approval to Procure), and no further **Executive** approval shall be required unless there is a material change to the approved procurement strategy or scope.
- 5.8. Where the proposed contract award value exceeds the budget agreed with Finance by more than 5%, the matter must be reported for approval in accordance with the Approval to Procure tables in Appendix 2. The contract award shall not proceed until the required approval has been obtained.
- 5.9. Where an above threshold procurement requirement arises during the financial year that has not been identified within or approved through PFP: Part A, the relevant Head of Service must seek Approval to Procure before any procurement activity commences.
- 5.10. For capital projects, approval may be granted by the Capital Programme Panel (or equivalent).
- 5.11. For revenue-funded procurements, approval must be obtained in accordance with the following approval limits:
- Value under £1m - Head of Procurement and **Executive Director** of relevant Service in consultation with Portfolio Holder, **Executive Director Finance (s151) Governance and Assets / Executive Director Finance and Assets (S.151)**
 - Value over £1m - As above including **Executive**.
- 5.12. Where the procurement involves Information Technology (IT), Digital, Data, or Technology-related goods, services, or solutions, Approval to Procure must also be approved by the **Director of Digital / Director of IT** before the procurement process may commence.
- 5.13. Approval to Procure and any delegated authority to Award are granted on the basis of the information presented at the time approval is obtained. Where

there is a material change to the approved scope, value, risk profile, procurement strategy, funding arrangements, contract term or delivery model, further approval must be sought in accordance with Appendix 2 before proceeding.

- 5.14. Where an extension or modification of a contract is requested, and/or a waiver to these Rules is required, the approvals must be sought in line with the details set out in the tables and Appendix 2. The total, revised value of the contract - including any proposed extension of variation m- if the value that must be used to determine the requirements such as approval to award a contract.

PFP Part B: Procurement Pipeline

- 5.15. Part B of the Procurement Forward Plan (PFP) will set out anticipated procurement activity for the financial year beyond that covered by Part A. It allows the council to satisfy pipeline reporting requirements under PA23, and provides early visibility of future procurement requirements and support strategic planning, market engagement, and resource allocation across the Council.
- 5.16. For the avoidance of doubt, inclusion of a procurement within Part B does not constitute Approval to Procure or Approval to Award. Such approvals must be obtained in accordance with the requirements of these Rules.
- 5.17. To comply with legislative transparency requirements under PA23, the Council shall maintain a Procurement Pipeline through the publication of Pipeline Notices for procurements that meet the statutory thresholds and criteria prescribed by legislation and associated regulations. Collectively, these notices shall form the Council's Procurement Pipeline and shall set out proposed procurement activity for the relevant reporting period. Pipeline Notices shall be published on the Central Digital Platform, or any successor platform required by legislation, and updated as necessary to reflect planned procurement activity.

6. Standards of Conduct

Conflicts of Interest

- 6.1. The Council must take all reasonable steps to identify, mitigate and keep under review conflicts of interest arising in procurement activity. Officers involved in a procurement or contract management activity must declare any actual, potential or perceived conflict of interest and comply with any mitigation measures required by the Council. Conflict of interest assessments and declarations must be completed and updated where required by PA23, these PCPRs and any other relevant policies, procedures and rules of the Council. Officers must also comply with the Council's Declarations of Interest Policy.

Gifts and Hospitality

- 6.2. Officers must not accept gifts, hospitality or other benefits that could influence, or reasonably be perceived to influence, the award, management or performance of a contract. Any gifts or hospitality offered or received in connection with procurement activity must be declared and recorded in accordance with the Council's Gifts and Hospitality Policy or equivalent.

Anti-Fraud, Corruption and Bribery

- 6.3. Officers involved in procurement and contract management activities must comply with the Council's policies relating to fraud, corruption and bribery. Officers must not seek, offer, give or accept any inducement or advantage that could improperly influence, or be perceived to improperly influence, a procurement or contract-related decision. Any suspected fraud, corruption, bribery, collusion, anti-competitive behaviour or other procurement irregularity must be reported in accordance with the Council's procedures.

Confidentiality and Information Management

- 6.4. Officers must protect commercially sensitive, confidential and personal information obtained through procurement and contract management activities. Information must only be disclosed where authorised or required by

law and must be managed in accordance with applicable information governance, data protection and records management requirements.

7. Social Value, Environmental Sustainability and Ethical Procurement and Supply Chains

- 7.1. The Council may from time to time adopt local, regional or national policies relating to ethical, environmental, sustainable and social value procurement objectives. Officers shall have regard to such policies and, where relevant and proportionate, incorporate the associated requirements into procurement strategies, procurement documentation, evaluation processes and contract management arrangements. Further information is set out in Appendix 4.

Social Value

- 7.2. The Council will seek to maximise social value through its procurement and contract management activities by securing additional economic, social and environmental benefits for residents, communities and the local area. Procurement activity must support the Council's strategic priorities and contribute to wider community outcomes where this is relevant and proportionate to the subject matter, value and risk of the contract.
- 7.3. All Officers must consider social value opportunities at an early stage of the procurement process. Officers must adhere to the Social Value Policy, as published on the Council's website and updated from time to time, and to the Council's prevailing Social Value Model or equivalent. Social Value commitments must be clearly connected to the outcomes they aim to achieve, with outcomes and key performance indicators incorporated into core contractual requirements. Social Value in tenders will be evaluated as part of the quality evaluation, in which clear method statements and delivery plans will be expected from bidders, and, wherever possible, no less than 10% of quality evaluation should be applied to Social Value.
- 7.4. Contract Managers must take ownership of ensuring all Social Value committed to by Suppliers is delivered, and of providing social value delivery reporting data where requested.

- 7.5. Procurement may issue guidance from time to time regarding the Council's Social Value priorities, evaluation requirements, reporting arrangements and the use of approved social value measurement tools. Officers must have regard to such guidance when undertaking procurement activity.

Climate Change and Environmentally Sustainable Procurement

- 7.6. A healthy and properly functioning natural environment is the foundation of a thriving economy, employment stability, prospering communities and personal wellbeing. The procurement of goods, works and services has environmental implications, both in their respective local areas and around the planet and, as a result, the Council is actively working to reduce and minimise these negative effects where possible.
- 7.7. Environmentally sustainable procurement is the commissioning, purchase and management of goods, works and services in a way that reduces or negates negative environmental impacts within the supply chain. As set out in the Environmentally Sustainable Procurement Policy (or equivalent), four interconnected focus areas must be considered when procuring items on behalf of the Council:
- Climate Change Mitigation and Adaptation;
 - Prevention of Pollution;
 - Sustainable Resource Use and Consumption; and
 - Protection and Restoration of Biodiversity.
- 7.8. Procurements must be considered against the Environmentally Sustainable Procurement Policy (or revised equivalent) and environmental considerations are to be built into the procurement and delivery of goods, works and services through specifications, tender questions, evaluation criteria, key performance indicators and clauses of contracts.

Modern Slavery and Ethical Supply Chains

- 7.9. Officers must have due regard to the risk of modern slavery, human trafficking and unethical labour practices within the supply chains associated with the goods, services and works being procured. Officers shall undertake appropriate and proportionate due diligence throughout the procurement and

contract management lifecycle to provide assurance that suppliers, and where relevant their supply chain partners, conduct their business activities in a fair, lawful and ethical manner, and to mitigate the risk of exploitative practices.

- 7.10. Such due diligence shall include, but not be limited to:
- a. Ensuring compliance with the requirements of Section 54 (Transparency in Supply Chains) of the Modern Slavery Act 2015;
 - b. Incorporating appropriate modern slavery and ethical employment considerations within procurement specifications and requirements;
 - c. Including modern slavery and ethical supply chain considerations within selection, conditions of participation and tender evaluation processes, where appropriate, to assess a supplier's capability to identify, manage and mitigate associated risks; and
 - d. Embedding appropriate due diligence, monitoring and compliance requirements within contractual terms and conditions.

8. Planning the Procurement

- 8.1. Before commencing a procurement, Officers must ensure that there is a clearly identified business need, sufficient budget provision and that any required approvals have been obtained in accordance with the Council's Governance Framework and Procurement Forward Plan requirements. Procurement activity must be planned in a manner that is proportionate to the value, complexity, risk and strategic importance of the requirement.
- 8.2. Officers must consider whether the requirement can be delivered through existing arrangements, internal provision, shared services, collaborative opportunities or other alternative delivery models. The rationale for the selected approach must be documented.

Market Engagement

- 8.3. Officers should consider undertaking pre-market engagement as part of procurement planning to inform the procurement strategy, specification, budget and delivery approach. Any engagement must be conducted fairly and transparently, with appropriate records maintained and any statutory notice

requirements complied with. Further guidance is contained within the How to Buy Guide.

Contract Valuation

- 8.4. Contract Values must be calculated in accordance with Procurement Legislation and include the total value payable over the full term of the Contract, including any options to extend, modify or renew.
- 8.5. Contracts must not be artificially divided, undervalued or otherwise structured to avoid the requirements of Procurement Legislation, these Rules or associated governance arrangements.

9. Choosing the Procurement Route

Determining the Procurement Type

- 9.1. Before undertaking any procurement activity, Officers must determine the nature of the requirement and identify the procurement category to which it relates. The applicable procurement legislation, thresholds and procedural requirements will vary depending on the procurement category and estimated contract value.
- 9.2. Procurement requirements will generally fall within one of the following categories:
 - Goods and Services;
 - Works;
 - Light Touch Services;
 - Healthcare Services subject to the Provider Selection Regime (PSR);
and
 - Concessions.
- 9.3. Further information on procurement categories, applicable legislation and threshold values is set out in Appendix 3.

Existing Arrangements

- 9.4. Before commencing a new procurement exercise, Officers must consider whether the requirement can be met through an existing compliant arrangement.
- 9.5. This may include:
- Existing contracts;
 - Framework agreements;
 - Open Frameworks;
 - Dynamic Markets;
 - Collaborative arrangements;
 - Shared service arrangements; or
 - Any other compliant route available to the Council.
- 9.6. Where a suitable existing arrangement is available and capable of meeting the Council's requirements, its use should be considered before commencing a new procurement exercise. The rationale for the chosen approach must be documented.

New Procurement Exercises

- 9.7. Where no suitable existing arrangement is available, a new procurement exercise may be undertaken.
- 9.8. The procurement route selected must be:
- Lawful;
 - Proportionate;
 - Appropriate to the value, risk and complexity of the requirement;
 - Consistent with the Council's procurement objectives; and
 - Capable of delivering value for money and maximising public benefit.
- 9.9. The procurement routes available to the Council are set out in Appendix 2 and may include quotation processes, tender exercises, framework establishment procedures, Dynamic Markets and any other routes permitted by applicable procurement legislation.

- 9.10. Where there is uncertainty regarding the appropriate procurement category, route to market or legislative requirements, Officers must seek advice from Procurement before proceeding.

10. Conducting the Procurement and Award

- 10.1. Contract award decisions must be based on the published procurement requirements and undertaken in a fair and transparent manner.
- 10.2. Appropriate records must be maintained to demonstrate compliance with these Rules and applicable legislation. Detailed guidance on the conduct of procurement exercises and contract award procedures is contained within the How to Buy Guide.
- 10.3. Contract Awards must be made in line with the approvals set out in Tables 2-5 in Appendix 2.
- 10.4. Financial assessments of proposed suppliers must be made as proportionate to the risk, value and complexity of the contract. If necessary, seek advice from Finance.
- 10.5. Suppliers must be checked on the central government Debarment List prior to the award of a contract. The list includes excluded suppliers (mandatory exclusion on grounds such as cartel activity, corruption, or severe modern slavery breaches) and excludable suppliers (discretionary exclusion on grounds such as poor contract performance or financial due diligence failures).

Services Led Procurements of between £25,000 and £100,000

- 10.6. Where the table in Appendix 2 allows for Services to lead procurements with procurement oversight, the following applies:
- Procurement must be informed of the intention to procure prior to the commencement of the procurement exercise;
 - Procurement must approve procurements before they proceed to ensure alignment with the overarching procurement strategy;
 - Procurement reserve the right to call in any procurement for review to ensure that it is following all appropriate regulations, and may, in

exceptional circumstances, step in and take over the procurement process to be run within the procurement team;

- Procurement may refer the purchase to be undertaken by Procurement where it has been identified as an opportunity for aggregation or financial opportunities (cost saving);
- The Service must run the procurement on the e-sourcing platform applicable at the time of the procurement, (see section 16.1(f) for Local Government Reform transition arrangements);
- The Service is responsible for ensuring any notices required under PA23 are published in time and to sufficient quality, and for informing Procurement that this has occurred; and
- The Service is responsible for ensuring all internal system records relating to the procurement and the contract are made and maintained and can provide an appropriate audit trail.

10.7. The above applies in all procurement exercises, including where a waiver of these Rules is required and/or there is a requirement to extend or modify and existing contract.

10.8. Further information is available in the How to Buy Guide and intranet pages.

Reserving Procurements for Local Suppliers

10.9. In accordance with applicable Procurement Legislation and Government policy, Officers may consider the reservation of below-threshold procurements to support local economic growth, resilient supply chains, SMEs and VCSEs. Any use of reserved procurements must be justified on a case-by-case basis, documented appropriately and undertaken in accordance with the How to Buy Guide.

11. Contract Formation

11.1. All purchases and contracts must be supported by an appropriate contractual arrangement that is proportionate to the value, risk and complexity of the requirement. The minimum contractual requirements are set out in the approval tables in Appendix 2.

- 11.2. Contracts shall include insurance requirements appropriate to the value, risk and nature of the requirement. Officers must ensure that adequate insurance arrangements are in place before a contract commences where such insurance is required, with advice sought from the Council's Insurance Team or equivalent, where appropriate.
- 11.3. No contract shall commence, nor goods, works or services be ordered, until the relevant contractual arrangements have been completed and all required approvals have been obtained, and publication requirements, notices and standstill obligations have been satisfied.
- 11.4. The form of contractual arrangement used may include a Purchase Order incorporating the Council's standard terms and conditions, a framework call-off agreement, a standard form contract or a bespoke contract, as appropriate to the procurement being undertaken.
- 11.5. Contracts must be executed in accordance with the Council's Constitution, Scheme of Delegation and any requirements relating to authorised signatories, sealing or execution as a deed.
- 11.6. The Council's e-tendering, contract management and record management systems must be used to manage contract awards and maintain contract documentation and associated records.
- 11.7. All Contracts must have an identified Contract Manager who is responsible for the contract and supplier relationship. Where a Contract requires active contract management, a designated Contract Manager must be appointed and recorded in the Council's contract management system.
- 11.8. Where appropriate, arrangements shall be made for the mobilisation and implementation of the Contract to ensure an effective transition into service delivery.
- 11.9. Detailed procedures relating to contract execution, contract documentation, publication requirements, mobilisation, transition and contract exit arrangements are contained within the How to Buy Guide. Officers must ensure that appropriate exit and handover arrangements are considered throughout the contract lifecycle and must have regard to that guidance when undertaking procurement and contract management activity.

12. Contract Management

- 12.1. The Contract Management Framework identifies the minimum contract management requirements for all contracts, according to their segmentation level, and services must ensure that a designated Contract Manager is assigned throughout the life of the contract or identify an individual in the service who is responsible for contract. Any change to the designated Contract Manager or identified individual, must be recorded promptly within the Council's contract management systems and associated records. Contract Managers and service areas are responsible for ensuring that:
- a. Contract performance is monitored and managed throughout the contract lifecycle;
 - b. Contractual obligations, service levels, performance measures and agreed outcomes are reviewed on a proportionate basis;
 - c. Appropriate contract management documentation and records are maintained;
 - d. Any applicable legislative, transparency and reporting requirements relating to contract performance are complied with;
 - e. Risks, issues, contract modifications, extensions and supplier performance concerns are managed appropriately and escalated where required; and
 - f. Business continuity and exit arrangements are maintained where proportionate to the value, risk and criticality of the contract.
- 12.2. For Contracts subject to Procurement Act 2023 transparency and contract management requirements, Contract Managers must ensure that all contract performance monitoring, KPI reporting, supplier performance assessments, publication requirements and associated notices are completed accurately and within the required timescales.
- 12.3. Detailed requirements relating to the Council's Contract Management Framework, contract management plans, performance monitoring, supplier management, business continuity arrangements and statutory reporting obligations are set out in the How to Buy Guide and/or the Contract

Management Framework. Officers must have regard to that guidance when undertaking contract management activities.

13. Contract Extensions and Modifications

- 13.1. Contract extensions and modifications may only be approved where permitted by the Contract, applicable legislation and the Council's governance arrangements. Such changes must be approved in accordance with Appendix 2 and supported by an appropriate audit trail. The value to be used to determine requirements as set out in the tables in Appendix 2 is the total, revised value of the contract - including any proposed extension or variation.
- 13.2. An extension or modification that was not explicitly allowed for in the original contract and/or that exceeds the original budget approval and that increases the total contract value into next threshold (as per Appendix 2) must be approved as per the contract approval requirements for the revised value.
- 13.3. Procurement and Legal Services must be consulted where required by the nature, value or risk of the proposed change. More information is contained in the How to Buy Guide.

Contract Novation

- 13.4. Where a Contract is proposed to be transferred to another legal entity, the proposed novation must be reviewed and approved in accordance with applicable legislation and the Council's governance arrangements before it takes effect. The Contract Manager is responsible for ensuring that Procurement, Legal Services and the Contract Register are updated as required.

14. Exemptions, Waivers and Emergency Procurement

Waivers

- 14.1. A waiver is required where a proposed procurement activity or contract modification does not comply with these Rules.

- 14.2. A waiver may only be approved where there is a clear and justifiable business reason for doing so and where the proposed course of action complies with Procurement Legislation and all other applicable legal requirements. A waiver must not be approved where it would result in a breach of Procurement Legislation or any other applicable legislation.
- 14.3. Requests for a waiver must be made in writing and must clearly identify the requirement from which a waiver is sought, the reasons for the request, the risks arising from the proposed approach and the measures to mitigate those risks. Further details can be found in the How to Buy Guide.
- 14.4. Waivers must be approved in accordance with the Council's governance arrangements before any commitment is made to a supplier. Retrospective waivers will not normally be permitted and may be treated as non-compliance with these Rules.
- 14.5. A complete record of all waivers and supporting approvals shall be maintained to provide an appropriate audit trail.

Emergency Procurement

- 14.6. Emergency procurement arrangements may only be used where there is a genuine and immediate risk to life, property, service continuity or the Council's ability to discharge its statutory obligations, and there is insufficient time to comply with the Council's normal procurement requirements. Any emergency procurement must be limited to what is reasonably necessary to address the immediate situation and, wherever practicable, must achieve value for money.
- 14.7. The circumstances giving rise to the emergency, the decisions taken, expenditure incurred and approvals obtained must be documented and retained as part of the procurement record.
- 14.8. The use of emergency procurement arrangements does not remove the requirement to comply with Procurement Legislation or any other applicable legal requirement where compliance remains possible in the circumstances.
- 14.9. Urgent issues arising during the delivery of a Contract do not automatically constitute an emergency and should normally be managed through the Council's contract management arrangements, including the use of

contractual provisions, contingency measures and business continuity arrangements where appropriate.

- 14.10. Detailed procedures relating to waivers, emergency procurement and associated approval requirements are contained within the How to Buy Guide. Officers must have regard to that guidance when undertaking procurement activity.

15. Transparency, Records and Reporting

- 15.1. The Council must conduct procurement and contract management activities in a transparent, accountable and auditable manner and must comply with all applicable transparency and publication obligations arising from Procurement Legislation and any other statutory requirements.
- 15.2. The Council must maintain a Contract Register in accordance with legislative and corporate requirements. Budget Holders and Contract Owners must ensure that complete and accurate contract information is provided promptly and that contract records are kept up to date throughout the contract lifecycle.
- 15.3. Officers must ensure that all notices, disclosures and other information required by Procurement Legislation are published accurately and within the prescribed timescales.
- 15.4. Contract Managers must ensure that any contract management notices, performance reporting requirements, publication obligations and transparency information required throughout the life of a Contract are completed accurately and within the required timescales.
- 15.5. Appropriate records must be maintained throughout the procurement lifecycle to provide a clear audit trail of procurement decisions, approvals, communications, evaluations, contract awards, contract modifications and contract management activities. Records must be sufficient to explain and justify material decisions taken during the procurement process and to demonstrate compliance with legal, financial and governance requirements. Procurement and contract records shall be retained in accordance with applicable legislation, the Council's records retention requirements and information governance policies.

- 15.6. Any significant procurement non-compliance, irregularity or matter presenting material legal, financial, operational or reputational risk must be reported in accordance with the Council's governance arrangements.
- 15.7. Detailed arrangements relating to publication requirements, transparency obligations, the Contract Register, records management, retention requirements and reporting processes are set out in the How to Buy Guide. Officers must have regard to that guidance when undertaking procurement activity.

Review and Continuous Improvement

- 15.8. The Council will monitor compliance with these Rules and may undertake reviews of procurement and contract management activity to assess compliance with legislative, governance and policy requirements. Officers must cooperate with any procurement review, assurance activity, audit, inspection or investigation and provide such information and assistance as may reasonably be required.
- 15.9. Any findings arising from internal audit, external audit, procurement assurance reviews, inspections or other review activities shall be considered by the appropriate Officers and, where necessary, appropriate corrective action shall be taken.
- 15.10. Significant instances of non-compliance, control weaknesses, procurement irregularities or recurring issues shall be reported and managed in accordance with the Council's governance arrangements.
- 15.11. These Rules shall be reviewed periodically and updated as necessary to ensure continued compliance with legislative requirements and alignment with the Council's governance and procurement objectives.
- 15.12. The Director of Procurement may make administrative amendments to these Rules to reflect changes to statutory thresholds, legislative references, organisational structures, job titles, hyperlinks, cross-references and definitions, provided that such amendments do not alter the substantive effect of these Rules. The Council may monitor and evaluate procurement outcomes, including value for money, social value, environmental benefits,

Supplier performance and other agreed contractual outcomes, in order to assess effectiveness and support continuous improvement.

- 15.13. Detailed arrangements relating to compliance monitoring, audit, assurance reviews, lessons learned, continuous improvement activities and the review of procurement guidance are set out in the How to Buy Guide and associated governance documents. Officers must have regard to that guidance when undertaking procurement activity.

16. Local Government Reform (LGR) Transitional and Legacy Arrangements

- 16.1. The following will apply in addition to the PCPRs to accommodate LGR transformational arrangements. This list is not exhaustive and should be considered in tandem with the Inter Authority Agreement, Section 16, and any other applicable LGR related policy, process or requirement.
- g. The Procurement Service is a hosted service which will be reviewed annually through the production of an Annual Report to be considered by the appropriate leadership in the relevant authorities. Any Officer procuring goods, services or work, or undertaking any activity covered by these Rules, must follow the Rules applicable for the Authority for which they are procuring on behalf of, not the authority by which they are employed.
 - a. Where the Council is party to a contract, framework, collaboration agreement, shared service arrangement or other commercial arrangement inherited through Local Government Reorganisation, service transfer or organisational change, Officers must have regard to the terms of any applicable inter-authority agreement, transfer scheme or partnership agreement before taking any procurement or contractual decision.
 - b. No material contract modification, extension, novation, termination or other change to a jointly managed or shared arrangement shall be made without complying with the approval, consultation and consent requirements set out in the relevant agreement and seeking agreement with the other

contracting Authority (for tri-party contracts) or recipient of hosted services (for hosted contracts).

- c. Where the relevant agreement does not specify the process, responsibilities or decision-making requirements, any proposed change must be approved in accordance with the Council's governance arrangements and these Rules. Officers must consult Procurement and Legal Services before implementing any material change.
 - d. In cases of uncertainty regarding contract ownership, authority, rights, obligations or decision-making responsibilities, no action shall be taken until the appropriate governance route has been established and any required approvals obtained.
 - e. Where systems, process or other local arrangements have yet to be transformed, temporary arrangements may be made to support Officers complying with these rules. For example if Service Officers do not have access to an e-sender to allow for the compliant procurement of contracts valued between £25,000 and £100,000 then Procurement may support them to do this.
- 16.2. These LGR transitional and legacy arrangements will be reviewed annually and, where required, changes can be made by the **Executive Director Finance (s151) Governance and Assets / Executive Director Finance and Assets (S.151)** in agreement with the Leader of the Council.

Appendices

Appendix 1 – Definitions

Appendix 2 – Governance Tables / Information

Appendix 3 – Procurement Regulatory Thresholds

Appendix 4 – Links to supporting materials

Appendix 1: Definitions

Term	Definition
Approval to Procure	The approval required to commence a procurement process in accordance with these Rules and the Council's governance arrangements.
Best Value	The duty imposed by the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which functions are exercised, having regard to economy, efficiency and effectiveness.
Breach	A failure to comply with Procurement Legislation, these Rules or contractual obligations.
Budget Holder	An Officer who is accountable for an approved budget and responsible for authorising and managing expenditure in accordance with the Council's Financial Regulations and Scheme of Delegation.
Commissioners	Officers involved in designing, securing and monitoring services in response to identified needs and priorities.
Conflict of Interest	An actual, potential or perceived conflict between the interests of a person acting in relation to a procurement and the proper discharge of their duties.
Concession Contract	A contract for works or services where the supplier's consideration consists wholly or mainly of the right to exploit the works or services and where the supplier assumes operating risk.
Contract	Any agreement, framework agreement, concession, call-off arrangement, Purchase Order or other legally binding arrangement for the provision of Goods, Services or Works.
Contract Management Framework	The Council's framework, guidance and procedures for managing Contracts throughout their lifecycle.

Contract Manager	The Officer responsible for managing a Contract, including contract administration, performance management, supplier relationship management and contract delivery.
Contract Modification	Any change to the scope, value, duration or terms of a Contract following award, including extensions, variations, amendments, novations and other change control actions.
Contract Register	The Council's corporate record of Contracts and other contractual arrangements maintained in accordance with legislative and corporate requirements.
Contract Value	The total estimated value of a Contract calculated in accordance with applicable Procurement Legislation.
Council	East Surrey Authority
CPV Codes	Common Procurement Vocabulary codes used to classify procurement requirements and determine the applicable procurement regime.
Dynamic Market	A Dynamic Market established in accordance with Procurement Legislation.
Emergency Procurement	A procurement undertaken where there is a genuine and immediate risk to life, property, service continuity or the Council's ability to discharge its statutory obligations.
Officer	Any employee, officer, consultant or other individual acting on behalf of the Council who is involved in commissioning, procurement, contract management, expenditure, contract award or other activities governed by these Rules.
Regulatory threshold	Means the relevant threshold applicable to procurement by English law or regulation.

Appendix 2: Governance Tables / Information

[Insert link to intranet for Procurement Board approval details]

TABLE 1: Approval to Procure (when purchasing any type of goods, service, works through any procurement route etc)

*Threshold	1	2	3	4	5
	£0-£4,999 EX VAT	£5,000- £24,999 EX VAT	£25,000- £99,999 EX VAT	£100,000 EX VAT – £207,719 (inc VAT)	Above £207,720 (inc VAT)
Approval to Procure	Budget Holder		Budget Holder and Finance Business Partner and Head of Procurement (or as delegated)		Executive Approval, by way of: Procurement Forward Plan Or As per section 5.9-5.13

Notes:

- Refer to Annex X for link to current UK Regulatory Thresholds. For the Purposes of Approval to Procure, the regulatory threshold for goods and services applies regardless of what is being procured. As of January 2026, this threshold is £207,720 (inc VAT) but is typically revised every two years. The prevailing regulatory threshold at the time of undertaking a procurement applies.
- When seeking approval to extend or modify a contract, the value to be used is the total, revised value of the contract, including any proposed extension or variation.

TABLE 2: Goods and Services and Works (see definitions in Appendix 3)

*Threshold	1	2	3	4	5
	£0-£4,999 EX VAT	£5,000- £24,999 EX VAT	£25,000- £99,999 EX VAT	£100,000 EX VAT – £207,719 (inc VAT)	Above £207,720 (inc VAT)
Procurement Process	Use available Frameworks or Dynamic Purchasing System’s where they offer best value; or One written quote or commercial negotiation with supplier.	Use available Frameworks or Dynamic Purchasing System’s (DPS) where they offer best value; or Seek a minimum of 3 quotes.		Use available Frameworks or Dynamic Purchasing System’s (DPS) where they offer best value; or Seek a minimum of 3 quotes or formal tender.	Procurement in compliance with Procurement Act 2023. This may be through a new procurement process or via existing compliant Frameworks, DPS’s or Dynamic Markets.
Procurement Lead	Service		Services Led with oversight from Procurement (see section 10.6)	Procurement	

*Threshold	1	2	3	4	5
	£0-£4,999 EX VAT	£5,000- £24,999 EX VAT	£25,000- £99,999 EX VAT	£100,000 EX VAT – £207,719 (inc VAT)	Above £207,720 (inc VAT)
			Procurement must approve before proceeding with the procurement		
Type of Contract (Goods & Services)	Council's Standard Terms & Conditions (see the Council's website) or the established Framework or DPS Terms				Council's Standard Terms & Conditions, bespoke Contract terms agreed by Legal Services or established Framework, DPS or Dynamic Market Terms.
Type of Contract (Works)	Industry standard form of contract with Council amendments		Industry standard form of contract with Council amendments, bespoke Contract terms agreed by Legal Services or established Framework Terms, DPS Terms, or JCT / NEC Model Forms.		Industry standard form of contract with Council amendments, bespoke Contract terms agreed by Legal Services or established Framework Terms, DPS Terms, Dynamic Market Terms or JCT / NEC Model Forms.
Who must approve Contract Award prior to commencement	Budget Holder		Head of Service / Delegated Manager		If within +5% of budget: Exec Director Approval (or delegated). If not within budget and: a) less than £1m -Exec Director and S151 Officer b) £1m - £5M: Exec Director, Portfolio Holder and S151 Officer. c) over £5M: Executive.
Who Authorises (signs) Contract	Not required (Purchase Order)		Head of Service / Delegated Manager		Under £500k, Head of Procurement and Head of Service. Over £500k: to be executed by authorised signatory in legal services under seal as determined by Legal Services.

Notes

*Where the Contract Value cannot be determined with reasonable certainty, the procurement shall be treated as above the relevant Regulatory Threshold. Further guidance is set out in the How to Buy Guide. When seeking approval to extend or modify a contract, the value to be used is the total, revised value of the contract, including any proposed extension or variation.

**References to regulatory thresholds in these Rules mean the applicable procurement thresholds prescribed by legislation and are inclusive of VAT. Refer to Annex X for link to current UK Regulatory Thresholds. Regulatory thresholds are always quoted inclusive of VAT.

TABLE 3: Light Touch

*Threshold	1	2	3	4	5
	£0-£4,999 EX VAT	£5,000- £24,999 EX VAT	£25,000- £99,999 EX VAT	£100,000 EX VAT – UK Regulatory Procurement Threshold for LT	Above UK Regulatory Procurement Threshold for LT
Procurement Process	Use available Frameworks or Dynamic Purchasing System's where they offer best value; or One written quote or commercial negotiation with supplier.	Use available Frameworks or Dynamic Purchasing System's (DPS) where they offer best value; or Seek a minimum of 3 quotes.	Use available Frameworks or Dynamic Purchasing System's (DPS) where they offer best value; or Seek a minimum of 3 quotes or formal tender.	Procurement in compliance with Procurement Act 2023. This may be through a new procurement process or via existing compliant Frameworks, DPS's or Dynamic Markets.	
Procurement Lead	Service		Services Led with oversight from Procurement (see section 10.6) Procurement must approve before proceeding with the procurement	Procurement	
Type of Contract	Council's Standard Terms & Conditions (see the Council's website) or the established Framework or DPS Terms			Council's Standard Terms & Conditions, bespoke Contract terms agreed by Legal Services or established Framework, DPS or Dynamic Market Terms.	
Who must approve Contract Award prior to commencement	Budget Holder		Head of Service / Delegated Manager	Within +5% of budget: Exec Director Approval (or delegated) & Head of Procurement (or delegated). If not within budget: Exec Director and S151 Officer	If within +5% of budget: Exec Director Approval (or delegated). If not within budget and: a) less than £1m -Exec Director and S151 Officer b) £1m - £5M: Exec Director, Portfolio Holder and S151 Officer. c) over £5M: Executive.
Who Authorises (signs) Contract	Not required (Purchase Order)		Head of Service / Delegated Manager	Under 500k, Head of Procurement and Head of Service (or delegated manager). Over £500k: to be executed by authorised signatory in legal services under and as determined by Legal Services.	

- Refer to Appendix X for UK Regulatory Thresholds
- When seeking approval to extend or modify a contract, the value to be used is the total, revised value of the contract, including any proposed extension or variation

TABLE 4: Provider Selection Regime

*Threshold	1	2
	£0 EX VAT – £207,719 (inc VAT)	Above £207,720 (inc VAT)
Procurement Process	One of the following PSR procedures: • Direct Award A • Direct Award B • Direct Award C • Most Suitable Provider • Competitive Process	
Procurement Lead	Procurement	
Type of Contract	Council's Standard Terms & Conditions or bespoke Contract terms agreed by Legal Services	
Who must approve Contract Award prior to commencement	Procurement & Head of Service	If within +5% of budget: Exec Director Approval (or delegated). If not within budget and: a) less than £1m -Exec Director and S151 Officer b) £1m - £5M: Exec Director, Portfolio Holder and S151 Officer. c) over £5M: Executive.
Who Authorises (signs) Contract	Head of Service or Delegated Manager	Under 500k, Head of Procurement and Head of Service. Over £500k: to be executed by authorised signatory in legal services under seal as determined by Legal Services.

TABLE 5: Concessions

*Threshold	1	2
	£0 EX VAT – £207,719 (inc VAT)	Above £207,720 (inc VAT)
Procurement Process	Seek a Minimum of 3 quotes	Procurement in compliance with Procurement Act 2023.
Procurement Lead	Procurement	
Type of Contract	Bespoke Contract terms agreed by Legal Services.	
Who must approve Contract Award prior to commencement	Procurement & Head of Service - £207k If within +5% of budget: Exec Director Approval (or delegated) & Head of Procurement (or delegated). If not within budget and: a) £207k - than £1m -Exec Director and S151 Officer b) £1m - £5M: Exec Director, Portfolio Holder and S151 Officer. c) over £5M: Executive	If within +5% of budget: Exec Director Approval (or delegated) & Head of Procurement (or delegated). If not within budget and: a) less than £1m -Exec Director and S151 Officer b) £1m - £5M: Exec Director, Portfolio Holder and S151 Officer. c) over £5M: Executive.
Who Authorises (signs) Contract	Head of Service or Delegated Manager	Under £500k, Head of Procurement and Head of Service. Over £500k: to be executed by authorised signatory in legal services under seal as determined by Legal Services.

Appendix 3: Regulatory Thresholds

Procurement Type	Definition	Thresholds (inc. VAT where applicable)
A: Goods or Services Procurement Act 2023	Goods or Services* (Excluding Light-Touch and Healthcare services – see Type C/D below as applicable)	£207,720
B: Works Procurement Act 2023	Works - A contract is a “works contract” if its main purpose is— (a) the carrying out of works under the contract (whether or not resulting in a complete work), or (b) to facilitate the carrying out of works otherwise than under the contract, where those works are intended to result in a complete work that complies with specifications set out in, or determined under, the contract. “Works” means the activities which fall within the CPV codes listed in Schedule 3 to the Procurement Regulations 2024.	£5,193,000
C: Light Touch Procurement Act 2023	Contracts wholly or mainly for the supply of services of a kind specified in regulations. These “light touch services” are set out in Schedule 1 of the Procurement Regulations 2024 using CPV codes These services include adult and children’s social care, community services and legal services	£663,540
D: Provider Selection	PSR 2023 covers procurement of certain healthcare services in England.	No threshold

Regime (PSR 2023) Health Care Services Regulations 2023	The services in scope of PSR 2023 are set out in Schedule 1 of those regulations and describe services delivered to patients and service users, contracted by local authorities and NHS Trusts. Examples include some Public Health services which are aimed at providing healthcare interventions for individuals.	Purchases of any value
E: Concessions Procurement Act 2023	A contract for the supply, for pecuniary interest, of works or services to a contracting authority where— (a) at least part of the consideration for that supply is a right for the supplier to exploit the works or services, and (b) under the contract the supplier is exposed to a real operating risk. NB. For the purposes of this section of the Orders, Concession contracts also include Light Touch Services Concession Contracts.	£5,193,000

Appendix 4: Links to Supporting Materials

Table to be added

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EAST SURREY SHADOW AUDIT AND GOVERNANCE COMMITTEE**MEETING DATE: 2 NOVEMBER 2026****REPORT OF: ADAM CHALMERS, HEAD OF PAID SERVICES; NIKKI O'CONNOR, INTERIM S151 OFFICER; JACKIE KING, THEME SPONSOR FOR CUSTOMER AND CORPORATE SERVICES****SUBJECT: RISK MANAGEMENT APPROACH FOR EAST SURREY COUNCIL****Purpose of the Report:**

The purpose of this report is to set out the proposed approach to Risk Management for East Surrey Council (ESC) for consideration and approval.

This report sets out the minimum viable arrangements that enable ESC to have oversight of corporate risk (the most significant risks to the organisation in the delivery of its Council Strategy and priorities), to have awareness of corporate risks inherited from legacy councils, assurance that legacy council service risks are being managed effectively, and that risk escalation arrangements are in place. A suite of draft tools is provided that would enable the development of a Corporate Risk Register as organisational and governance arrangements develop.

Apart from the management of corporate risk and escalation arrangements, legacy councils would continue to operate according to their current risk management policies and frameworks post-vesting day.

Harmonisation of service risks, risk matrices, systems and other arrangements would take place post-vesting day as services and organisational structures stabilise. A comprehensive Risk Management Framework would be developed, including elements such as risk appetite and risk tolerance.

The recommendations in this report provide a proportionate and deliverable approach to risk management ahead of vesting day.

Recommendations:

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

1. Considers the recommended approach to risk management (Option 1) for East Surrey Council and provides any comments and observations to the Shadow Executive;
2. Considers the proposal that legacy East Surrey councils continue to operate according to their current risk management policies and frameworks, below corporate risk level, pending the development and approval of a comprehensive and harmonised risk management framework post-vesting day, and provides any comments and observations to the Shadow Executive; and

3. Submits any other appropriate observations regarding the proposed approach to the East Surrey Shadow Executive.

Reason for Recommendations:

The Committee has an important role in informing the development of risk management arrangements for ESC, including ensuring that there is understanding of the risk profile and that active arrangements are in place on risk related issues. Consideration by the Committee of the proposed approach at this stage provides an opportunity to influence the development of risk management arrangements for ESC.

The recommended approach as outlined in report would provide a proportionate and deliverable approach to risk management and would ensure that ESC operates on a safe and legal basis from vesting day.

It recognises the practical constraints of Local Government Reorganisation and focuses on establishing the minimum viable arrangements required for transition to the new authority. Implementation of a mature and harmonised risk management framework would be developed post vesting day in alignment with emerging organisational arrangements and structures. A phased approach provides ESC with the ability to establish robust oversight and accountability arrangements from vesting day while allowing the development of a harmonised framework and associated arrangements to evolve alongside service integration and organisational maturity.

The approach supports the statutory [Best Value standards](#) and strengthens organisational accountability. It establishes the foundations for future risk management arrangements that provide officers and elected Members with clear mechanisms for managing risk as the Council begins its delivery of the Council's strategic priorities.

Options

Option 1 – Adoption of phased approach to Risk Management to be in place by vesting day, with development of a comprehensive Framework and associated harmonised arrangements post-vesting day. Recommended.

This option has been developed based on the critical milestones set out in the Surrey Devolution and Local Government Reorganisation (D&LGR) Implementation Plan, endorsed by the Chief Executive and the Interim Statutory Officers.

This option sets out a phased approach to the development of Risk Management in East Surrey. Approval of the approach enables a focus on ensuring a safe and legal transition of risk management activity from Day 1 and provides the tools for developing those arrangements required for effective governance and risk oversight.

In summary, the proposed approach is to:

- Provide information and a suite of draft tools to enable ESC to have oversight of corporate risks from Day 1 (as set out below).

- Recommend that, apart from the management of corporate risk and escalation arrangements, legacy councils' risk management frameworks, risk registers, processes and systems below corporate risk level would continue to operate beyond vesting day to maintain continuity and accountability until harmonisation is achieved.
- Engage with all Members as part of the Member Induction programme in December 2026. This would provide an opportunity for Members to feed in any thoughts they may have for the future development of risk management arrangements.
- Confirm that the Senior Leadership Team would begin work from January 2027 to develop a corporate risk register for ESC.
- Between January and March 2027, it is anticipated that newly appointed Executive Directors will take ownership of relevant corporate risk areas.
- The draft tools and information provided in this report, will enable Executive Directors to develop corporate risks, as they apply to ESC. Corporate Risks from legacy councils would be considered for inclusion on the ESC Corporate Risk Register and the appropriate mitigations developed. Should any continuing risks not be carried forward as a corporate risk, these would need to be managed at service level.
- Additional information will be available on risks relating to the transition work, which are currently being managed by the Programme Management Office. The Vesting Day Blueprints, planned to be available during December 2026, will contain information on top-level risks specific to each work area that will require consideration by ESC.
- Work to develop a comprehensive Risk Management Framework, below the corporate risk level, would be undertaken post-vesting day, alongside the development of a risk appetite and risk tolerance, and the harmonisation of relevant systems and processes.

The above position reflects the minimum requirements in relation to risk management arrangements. However, as organisational structures and governance arrangements are put in place between now and vesting day, appointed senior officers should consider using the tools provided to begin the development of a Corporate Risk Register. The workstream will support and advise as resources allow.

Information and tools:

- High level of summary of key existing risks from current councils' corporate risk registers (not a proposed corporate risk register). Annex A.
- List of existing corporate risks from current councils. Annex B.
- Draft Corporate Risk Register template and worked example. Annex C.

- Draft corporate risk assurance evidence template and worked example. Annex D.
- Draft corporate risk assessment matrix and scoring guidelines. Annex E.
- Draft Day 1 escalation process for consideration of risks at corporate risk level. Annex F.
- An information pack of most recently published legacy councils' corporate risk registers. (Included as a link under the Background Papers section at the end of the report).

Option 2 – Postpone any development of Risk Management arrangements until after vesting day.

This option would mean that the Council would not have oversight and awareness of the corporate risks that legacy councils are currently managing. The Council would not have assurance that service risks of legacy councils were being managed effectively, or that there were arrangements in place for emerging risks of corporate significance to be escalated for senior management consideration.

This would significantly limit the ability of Members and senior officers to manage corporate risks and identify emerging risks during a period of significant organisational change.

For these reasons, Option 2 is not recommended.

Option 3 – Development of a comprehensive, harmonised Risk Management Framework by March 2027. Not Recommended.

This option involves a more detailed and extensive exercise to develop a comprehensive and harmonised risk management framework by March 2027. This option would consider risk management arrangements for all operational and service risks inherited from legacy councils as well as the development of a new suite of corporate risks.

Whilst this approach would establish a comprehensive framework, it would require a substantial amount of transformational work involving Members, senior officers and services across all legacy councils. It would be a complex piece of work requiring significant officer resources as each authority has its own arrangements for the identification and assessment of risk, its own systems for recording and reporting risk, with differing risk matrices, risk tolerances and risk appetites. This would all be taking place during a period of significant change where organisational structures are still in development, recruitment to key roles is in progress and governance arrangements are being established. It is very likely that any Framework developed would require revision soon after implementation.

For these reasons, Option 3 is not recommended.

Recommended Option

On balance, Option 1 is the preferred approach as it provides a clear and proportionate approach to risk management, with senior officer and elected Member oversight of the risk profile for ESC.

It ensures that the Council has an agreed approach and that key tools are available at an early stage to enable senior officers to develop a Corporate Risk Register for ESC. This approach supports alignment across the organisation while recognising the practical constraints on capacity and resources.

At the same time, it retains flexibility by positioning the initial approach as a foundation for further development, allowing for the development of a harmonised approach to risk management, at all levels of the organisation, following vesting day.

Summary:

Background

1. The effective implementation of risk management is a critical success factor in all organisations if they are to achieve their objectives. Effective risk management aids continuous improvement and, as far as possible, safeguards against loss or failure. The management of risk is central to good corporate governance to ensure that direction and control is established and maintained.
2. The effective management of risk is vitally important to the achievement of an organisation's priorities and service delivery. Risk management arrangements will support and underpin the delivery of the East Surrey Council Strategy 2027-32 and its priorities:
 - People: Helping people get the support, education, housing and opportunities they need, as early as possible.
 - Place: Improving local places, helping provide the homes people need, strengthening the local economy and minimising the impacts of climate change.
 - Council: Making services easy to use, managing money responsibly and reporting progress openly.
3. For East Surrey Council, effective risk management will play a particularly important role during the early years of operation. The Council will inherit risks from the legacy authorities and new risks will develop due to the formation of a new organisation. As a new organisation, there will need to be work undertaken to ensure that ESC has oversight and awareness of its corporate risks at Day 1. All other service risk management arrangements can continue to operate according to the existing frameworks of the legacy councils until such time that harmonisation work takes place post vesting day.

4. This report focusses on the proposed approach to risk management for ESC and provides draft tools that can be further developed in relation to the identification and management of corporate risks from Day 1.
5. The recommendations in this report are based on work undertaken by the Corporate Support workstream, including compiling a 'Request for Information' (RFI) to gather existing information from across all existing 12 authorities in Surrey. This included a set of questions in relation to risk management, information on key risk management activities undertaken, arrangements for oversight and reporting of risk, and systems used to capture risk information. Copies of Risk Management Frameworks/policies and Corporate Risk Registers were requested.
6. A risk management sub-workstream was subsequently established in July 2026 to lead on risk management work. Its membership is comprised of risk management specialists from the Borough and District Council and Surrey County Council who have jointly developed the proposals in this paper.

Information & Tools

7. Analysis of the latest available Corporate Risk Registers from each legacy council showed a number of consistent risks reflected across all, or the majority of East Surrey legacy councils. These included risks such as financial sustainability, health and safety, cyber security, and data protection. In addition, there are some corporate risks that relate to a specific legacy council area or areas. This analysis has been used to inform a high-level summary of key existing Corporate Risks (Annex A) and to produce a document providing the titles and descriptions of all risks that appear on the most recently published corporate/strategic risk registers for each current sovereign council (Annex B). The full version of each council's most recently published corporate risk register is available via the link at the end of this report.
8. As ESC is a new entity with its own Council Strategy and priorities, it will need its own bespoke corporate risk register and an associated risk assessment and scoring system. Once a corporate risk has been identified, it will need to be entered onto the Corporate Risk Register and assessed according to the potential impact on the service or organisation and the likelihood that it will happen.
9. In order to enable ESC to undertake this work, a comparison and analysis of the format used by each legacy council for their Corporate Risk Register and their risk assessment and scoring systems was undertaken. This analysis was used to propose the draft corporate risk register template (Annex C) and the draft corporate risk assessment matrix and scoring guidelines (Annex E).
10. To provide ESC with assurance that the mitigations and controls defined in the corporate risk register are in place and operate effectively, a draft corporate risk assurance evidence template has also been developed (Annex D).

11. As each legacy council will continue to manage their service risks according to their locally agreed risk management arrangements until harmonisation work is undertaken post-vesting day, it is important that a process is in place to escalate risks identified under current arrangements. A draft Day 1 risk escalation process (Annex F), based on the proposed new management structure has been developed to enable oversight and awareness of legacy service risks and a route for discussion and potential inclusion on ESC's corporate risk register. Governance arrangements to report risks internally and externally through committee are yet to be confirmed.
12. In line with the D&LGR Programme principle of 'Transition not Transformation', the proposed approach to Risk Management for ESC provides the minimum viable arrangements to enable ESC to have oversight of corporate risk, awareness of corporate risks inherited from legacy councils, assurance that service risks from legacy councils are being managed effectively, and that risk escalation arrangements are in place. The proposed approach is considered proportionate and deliverable, enables senior officers and elected Members to have oversight of the risk profile for ESC and ensures that ESC operates on a safe and legal basis from vesting day.
13. It is anticipated that between January and March 2027 the newly appointed Executive Directors will take ownership of relevant corporate risk areas and that the new Senior Leadership Team will begin work to develop a corporate risk register for ESC. The tools and information provided in this report will enable this exercise, including consideration of corporate risks from legacy councils and risks arising from the transition work currently managed by the Programme Management Office. The Corporate Risk Register will be owned by the Chief Executive and monitored and managed together with their Senior Leadership Team.
14. Each legacy council currently has its own risk management arrangements. In line with the transition principles, it is proposed that, apart from the management of corporate risk and escalation arrangements, legacy councils continue to operate according to their locally agreed arrangements at service level, beyond vesting day. In practical terms, this means existing risk management framework, risk registers, risk matrices, systems and arrangements, below corporate risk level would continue to operate, until harmonisation work is undertaken at the appropriate time, as services and organisational structures stabilise. This approach maintains continuity and accountability and provides assurance that service risks inherited from legacy councils continue to be managed effectively.
15. ESC will develop and implement a comprehensive Risk Management Framework post-vesting day, including:
 - Development and agreement of risk assessment matrix and scoring guidelines applicable to all risks
 - Development and agreement of risk tolerance level

- Development and agreement of risk monitoring, escalation and reporting arrangements according to agreed internal governance arrangements
 - Development and agreement of a risk appetite
 - Risk management training rolled out to officers and Members
 - Harmonisation of legacy councils' risks using a common methodology and supporting systems
16. Members' engagement will take place in December 2026 as part of the Member Induction Programme. This will provide an opportunity for Members to feed in any thoughts they may have for the future development of risk management arrangements.
17. Arrangements will be confirmed as to which team within ESC would lead on the coordination of risk management arrangements on behalf of the Chief Executive.
18. The [Orange Book Management of Risk](#) is a good practice guide provided by the government that East Surrey Council may wish to consider as it develops its Framework.

Consultation:

19. The options presented for the approach to Risk Management have been developed by the Corporate Support workstream, in the Customer and Corporate Services Theme of the D&LGR Programme, in collaboration with the Chief Executive and Interim Statutory Officers.
20. A Risk Management sub-workstream was established in July 2026 and has met weekly. Risk Management leads from East and West District and Borough Councils are represented together with the Strategic Risk Manager for Surrey County Council, and all have provided input into this report.
21. Wider engagement with risk management subject matter experts across all twelve authorities has been undertaken to develop the proposals contained within the report.
22. A paper outlining the proposed approach was presented to and endorsed by the Vesting Day Readiness Board and the Officer Board in September and October 2026.
23. Further engagement with Members will take place in December through the Member Induction Programme. One online and one in-person session will be offered. The purpose of these sessions will be to build awareness of the approach to risk management and will also provide an opportunity for Members to feed in any thoughts they may have for the future development of risk management arrangements. The two-hour sessions will cover risk and also performance and Equality, Diversity and Inclusion.

Risk Management and Implications:

24. The development of the Risk Management approach and Corporate Risk Register is dependent on effective alignment with other key processes, including the Council Strategy and progression of the D&LGR Implementation Plan, budget setting and service planning/blueprint development. There is a risk that misalignment across these dependencies could lead to inconsistencies in the understanding of the emerging risk profile of East Surrey Council, and reduced clarity of the arrangements for the management of operational / service risks of the legacy councils.
25. These risks will be mitigated through engagement with other processes across the Local Government Reorganisation programme. This includes defining clear decision points, regular coordination across strategy, finance and service design and alignment at key governance milestones. This will ensure a coherent, evidence-led and deliverable approach to risk management.

Financial and Value for Money Implications:

26. It is anticipated that Option 1 can be delivered with existing resources by drawing on the resources available from risk management subject matter experts across Surrey. There are no direct financial implications of the proposal to develop an approach to risk management in the way recommended in this report.

Climate Change and Sustainability:

27. The proposed approach to is not expected to have any direct climate change or sustainability impacts. However, should climate change and/or sustainability be included as risks with the ESC risk management arrangements, controls would be put in place to mitigate.

Section 151 Officer Commentary:

28. 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.
29. 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.

30. There are not anticipated to be any direct financial implications of the proposed approach to the development of a risk management framework, as it is proposed that these activities will be managed within existing resources.

Legal Implications (Monitoring Officer Commentary):

31. The report supports the overall safe and legal transition to East Surrey Council, and the phased development of a risk management framework supports the new authority's overall corporate governance framework. Risk Management ensures the council will have mitigating strategies in place to prevent risks to the achievement of its strategic business objectives.

Workforce Implications:

32. The recommended phased approach does not in itself propose changes to staffing structures, roles or terms and conditions. In the short term, however, effective delivery will depend on sufficient officer capacity and clear accountability for identifying, owning, escalating and reporting risks, alongside the other demands of transition. Existing risk management leads and subject matter experts will support the initial arrangements, with Executive Directors and senior leaders taking ownership of relevant corporate risks as the East Surrey Council structure is established. Appropriate guidance, communication and training will be required so that officers and Members understand their responsibilities and apply the agreed approach consistently.
33. Any future proposals arising from the post-vesting day harmonisation of risk management arrangements that affect roles, responsibilities, ways of working or systems will need to be assessed and managed through the Council's agreed people and change arrangements, including engagement and consultation with staff and recognised trade unions where appropriate.

Equality and Diversity:

34. The recommended approach to risk management is not expected to have a direct impact on residents or staff with different protected characteristics.

What Happens Next:

The approach to Risk Management for East Surrey Council is on the agenda of the Shadow Executive meeting on 9 November 2026.

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Annexes:

Annex A: High level of summary of key existing risks from current councils' corporate risk registers.

Annex B: List of existing corporate risks from current councils.

Annex C: Draft Corporate Risk Register template and worked example.

Annex D: Draft corporate risk assurance evidence template and worked example.

Annex E: Draft corporate risk assessment matrix and scoring guidelines.

Annex F: Draft Day 1 escalation process for consideration of risks at corporate risk level.

Sources/background papers:

[Information pack of most recently published legacy councils' corporate risk registers](#)

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High level summary of key existing risks from current councils Corporate Risk Registers

The table below sets out a summary of key risks that are on the latest available Corporate Risk Registers of the councils that will be incorporated into East Surrey Council (ESC). A number of risks are common to the majority of councils, others are risks affecting a few or only individual councils. The order in which the risks are presented in the table below does not suggest which are higher risk and which are lower risk.

This information is provided to give an overview of current risks which can then be considered as ESC begins work to develop its Corporate Risk Register. The wording in the table is illustrative and is not proposed wording for inclusion in an East Surrey corporate risk register.

Risk ID	Risk Description
CR1	Cyber security – risk of hacking Failure to secure the Council's accounts and data could lead to data loss, data protection issues and total loss of computer systems. This in turn could lead to the Council not being able to deliver services and incurring of financial costs of rebuilding systems.
CR2	Financial sustainability There is a risk that reduced income (including following the Fair Funding Review along with increased reliance on council tax) and/or increased demand for services not in line with projections means that a balanced budget cannot be achieved over the medium term.
CR3	Local Government Reorganisation and Transformation There is a risk that the organisation cannot meet the scale and pace of change required meaning some intended outcomes from transformation are not achieved.
CR4	Organisational capacity to deliver Failure to ensure that the organisation has the staffing capacity to achieve its corporate priorities and to ensure the effective delivery of services could lead to poor quality service delivery and serious implications particularly in relation to statutory services.
CR5	Reduction in rental income from investment and commercial properties There is a risk that a negative change in the property market may result in a loss of rental income from the Council's property portfolio. This could impact on the financial sustainability of the Council.
CR6	Health and Safety Failure to comply with Health and Safety (H&S) statutory duties, responsibilities and processes could lead to serious harm, loss of life, preventable accidents and ill-health of staff, contractors, public or others affected by our undertakings. There could also be an impact on provision of services.
CR7	Contract Management Failure to manage contracts effectively could lead to the delivery of poor quality services or total loss of service. It could also lead to poor value for money being achieved.
CR8	Climate Change Failure to respond to climate change and plan effectively for severe weather events could impact on service provision and have wider community consequences.
CR9	Data Protection / Information Governance Failure to have data protection and information governance arrangements in place could lead to a breach of the Data Protection Act arising from a loss and/or disclosure of personal data. This in turn could lead to distress and harm for data subjects (the person to whom the data relates), a loss of public trust, financial

	penalties to the organisation, or other regulatory action as imposed by the Information Commissioner's Office.
CR10	Emergency Planning / Business Continuity Failure to have effective arrangements in place to ensure an effective response in an emergency situation could lead to distress and harm, a loss of public trust, and a failure to provide civil protection to residents, businesses and the wider community.
CR11	Safeguarding Failure to fulfil our responsibilities relating to the safeguarding of children and vulnerable adults could delay referrals for early intervention and lead to significant harm or death of a child or vulnerable adult, potential legal action and reputational damage.
CR12	National Planning Policy Framework Failure to meet the requirements of the National Planning Policy Framework (published September 2026) could impact the delivery of legacy councils' Local Plans, increase the number of appeals and associated costs and result in development occurring in unplanned locations. This may lead to financial loss and reputational damage and could affect the ability to meet Government housing delivery targets.
CR13	Services for Children with Special Educational Needs and Disabilities (SEND) There is a risk that changes to the way that central government provides financial support for SEND, and the accompanying reforms, could destabilise the SEND system by driving increased demand and hence returning to a balanced budget is further delayed into the life of successor councils.
CR14	Waste collection and street cleaning services Failure to manage the performance of the outgoing waste and street cleaning contract and the effective mobilisation of the new waste and street cleaning contract (starting June 2027) could lead to bins not being collected on time and/or litter and detritus accumulating on our streets and roads, which in turn may lead to increased complaints. This risk applies to two legacy council areas: Mole Valley District Council and Elmbridge Borough Council.
CR15	Housing services Failure to meet Standards set by the Regulator of Social Housing could result in regulatory intervention, enforcement action and reputational harm. It may lead to poor tenant outcomes, increased complaints and Ombudsman findings and significant financial pressures arising from required remedial work. Weak assurance, data quality or governance could further heighten the risk and impact East Surrey Council. This risk applies to one legacy council area, Tandridge District Council.
CR16	Housing Development Failure to deliver the council's housing programme as a result of issues with contractors, funding, planning, increasing build costs could impact the viability of schemes, reduce external funding and impact the council's ability to meet its strategic housing objectives. This may create financial pressures for the Housing Revenue Account. This risk applies to one legacy council area, Tandridge District Council.

List of existing corporate risks from current councils

This Annex provides the titles and descriptions of all risks that appear on the most recently published corporate/strategic risk registers for each council: Elmbridge, Epsom & Ewell, Mole Valley, Reigate & Banstead, Surrey and Tandridge.

Elmbridge

Risk Title/ Description
The reorganisation of local government would mean that Elmbridge will no longer be a legal entity: Potential impacts of the transition include, Operational (recruitment and staff retention) Managing the transfer to the new authority would include Reputational and some Financial risks (any additional costs to ensure a smooth transition).
Changes in national economic conditions beyond the Council's control including the effects of welfare reforms, government and other external funding; other legislation and regulations; and the detrimental effect of cost-of- living crisis may result in adverse service planning conditions and / or significant loss of income.
Major changes in the property market may result in a loss of rental income generated from the Council's property portfolio having an impact on the Council's sustainability.
The Health and Safety at Work Act 1974 imposes a general duty on employers to ensure the health, safety and welfare of their employees and non-employees. If the Council fail to have good Health and Safety arrangements in place, this could lead to death or serious injury to Members, Officers, contractors, or members of the public. Non-compliance with the Health and Safety Act 1974 can lead to severe consequences for the Council.
Reduction in / elimination of grant funding from external bodies including central government and Surrey County Council may result in a failure to address the ongoing revenue funding gap identified in the Council's medium term financial strategy which could have a seriously adverse effect on the Council's ability to deliver essential services.
A breach of the Council's cyber-security protections may result in a ransomware attack which could have a seriously adverse effect on the Council's ability to deliver essential services.
Skill shortages, salary expectations and insufficient development opportunities may result in a failure to retain and recruit suitable calibre staff and volunteers which could have a seriously adverse effect on the Council's ability to deliver essential services.
Climate Change is a global emergency which requires a global response. The impact of climate change and associated severe weather conditions may result in an increased risk of flooding, windstorms, heat related adverse health conditions including heat stroke and invasion of non-indigenous pests. These changes could result in a significant risk to the Council's reputation if it is perceived that the Council has not taken sufficient action following the declaration of a climate emergency.

Risk Title/ Description
Financial instability, poor risk management and inadequate contract administration may result in the failure of major contractors which could have a seriously adverse effect on the Council's ability to deliver essential services and damage to the Council's reputation.
Local Authorities are bound by statute. Failure to comply with statutory duties or other legal responsibilities including those arising from legislation may result in claims being made against the Council and damage to the Council's reputation.
Data Protection is governed by the UK GDPR and the Data Protection Act 2018. Failure to demonstrate compliance, failure to respect individual rights and failure to implement appropriate data security measures may result in ICO or other investigation and sanctions / fines imposed and damage to the Council's reputation.
Inadequate planning, lack of coordination among responders and insufficient resources may result in the failure to react appropriately to a major civil emergency within or adjacent to the Borough (e.g. mass protest, politically motivated crime, terrorism, mass absenteeism, flooding, pandemic, etc.) which could result in a significant risk to the Council's reputation if it is perceived that the Council has not taken sufficient action following the emergency.

Epsom & Ewell

Risk Title/ Description
Risk of homelessness expenditure exceeding budget provision
Failure or interruption to IT services
Implications of local government reorganisation
Failure to deliver a local plan / Local plan found unsound at inspection
Failure in key statutory services
Shadow Authority Election
Failure to comply with GDPR/Data protection
Failure to balance the budget annually & MTFS
Failure to deliver the climate change strategy
Non-compliance with safeguarding legislation, internal policies, and best practice.
Failure to successfully prevent a significant health and safety incident
Failure to deliver a safe/compliant working environment at the Town Hall
Failure to respond effectively to a major incident or civil emergency

Mole Valley

Risk Title/ Description
Financial sustainability: There is a risk, due to the national economic climate, action taken in response to Local Government Reorganisation and the recent review of local government finance, that the Council is unable to balance its budget, without impacting significantly on service delivery and performance. The pressures that MVDC face are to a large extent shared by our contractors and neighbouring councils.
Reduction in capital value of and rental income from Investment Properties: Rents from our investment property portfolio are a key source of income and the capital value of the property is a significant asset on the Council's balance sheet. This risk is informed by a number of factors including the national economic climate; uncertainty in the property and financial markets; recent government budget changes (e.g., to national insurance); potential reform (or lack of reform) of business rates; material changes in the way of doing business such as online shopping and hybrid working.
Corporate Health and Safety: MVDC needs to provide services in a safe manner that protects the health and safety not just of its employees but also members of the public, trainees, contractors, Members and those who undertake work on behalf of MVDC. If we fail to have good Health and Safety arrangements in place, this could lead to loss of service and / or preventable accidents to and ill health of staff, contractors, public or others affected by our undertakings. This is of particular importance due to the nature of some of the services we provide to the public and vulnerable people.
IT systems - b) Risk of hacking: VDC typically blocks thousands of malicious attempts daily to access MVDC systems and data. The majority are blocked by technical measures. The most significant contributor to this risk is that MVDC employees and members may, for example, inadvertently click on malicious links or attachments in Phishing emails.
Data Protection / Information Governance: MVDC needs to make sure that personal data is secure and only processed in accordance with the relevant legislation and that an individual's right to privacy and other access rights are protected, including consideration and monitoring in preparation for Local Government Reorganisation. If we fail to effectively act on and embed standards and procedures that enable us to do this, this could lead to distress and harm for data subjects, a loss of public trust, financial penalties to the organisation, or other regulatory action as imposed by the Information Commissioner's Office.
Organisational capacity to deliver: If we fail to ensure that the organisation continues to have the capacity to achieve the priorities in the Annual Plan, and ensure the effective delivery of services, this could have serious implications particularly in relation to statutory services ultimately leading to service failure and/or reputational implications.

Risk Title/ Description
Safeguarding: MVDC needs to ensure that all employees are aware of the organisation's responsibilities in relation to safeguarding children and vulnerable adults. This means being able to identify signs of concern and knowing when to share information and to report those. It also means ensuring that employees follow safe practice when delivering services. Due to the impact of ongoing economic uncertainty, more people continue to be vulnerable to changes in circumstances, financial or otherwise. This risk is also informed by the impact of local government reorganisation. The transition of Mole Valley's safeguarding will be considered in light of the shift of functions into the East Surrey Council. MVDC also needs to ensure that there is an appropriate response in place in the event of a Domestic Abuse Related Death Review or involvement in a Child Safeguarding Practice Review or a Safeguarding Adults Review.
Climate Change: In declaring a Climate Emergency, MVDC has recognised the current environmental tipping point and is working towards being carbon neutral by 2030. MVDC is committed to making a positive contribution at a local level through the implementation of the Climate Change Strategy for Mole Valley. The risk is that MVDC fails to deliver the Climate Change Strategy, meaning that we do not to maximise achievement of carbon reduction and /or fail to maximise support to businesses and residents. This risk is informed by the way we manage our workforce, estate and operations, coupled with competing priorities for financial resources, to assist in reducing our carbon footprint and make Mole Valley more resilient to the impacts of climate change.
Asset Redevelopment and Regeneration: Proposed re-developments and regeneration schemes which are likely to result in asset disposals and capital receipts fail to proceed. This could lead to capital receipts not being realised or receipt delayed. Where assets are identified for redevelopment, regeneration or disposal this could limit the Council's ability to lease the assets because of the need to retain flexibilities to facilitate the the development scheme. Prolonged delays can lead to project viability challenges resulting in higher expenditure and lower capital receipts as well as unnecessary revenue and capital costs in relation to asset maintenance/management as a result of the delay.
Emergency Planning: MVDC needs to make sure that arrangements are in place to ensure an effective response in an emergency situation. As a Category one responder MVDC is required to comply with the duties set out in Civil Contingencies Act 2004. If we fail to act effectively, this could lead to distress and harm, a loss of public trust, and a failure to provide civil protection to residents, businesses and the wider community.

Risk Title/ Description
Contract Management: Contract Management across the organisation is inconsistent. Despite corporate contract management guidance and some areas of good practice, we have found that contracts may not be consistently recorded on the Council's contract register and that monitoring of expenditure against contracts and supplier performance by contract managers is inconsistent across the organisation.
Waste services: Waste collection and street cleaning are statutory duties under the Environmental Protection Act 1990, with the waste collection service being a service that is delivered to every household. Following a successful procurement, the four partner authorities, Mole Valley District Council, Elmbridge Borough Council, Surrey Heath Borough Council and Woking Borough Council, approved the award of contract to Veolia, and that decision was also approved by both East and West Surrey Shadow Authorities in July 2026. The contract with Veolia and the underpinning inter authority agreements were signed in August 2026, which provides ten months to manage the mobilisation of the contract by Veolia and the demobilisation of the contract by Amey at the same time as overseeing business as usual service delivery to residents up to and beyond vesting day in both East and West Surrey. The new contract will commence on 6 June 2027 and at the same time in all four areas.
Local Government Reorganisation: Central government has confirmed the implementation of Local Government Reorganisation in Surrey. Elections to the new shadow unitary councils were held in May 2026. The new unitaries will go live on 1 April 2027 (vesting day). The Structural Changes Order is now in effect. Section 16 requires co-operation between authorities in order to secure the economic, effective and efficient and timely transfer of functions, assets, rights and liabilities. MVDC will continue to exist until 31 March 2027. During this time the council needs to continue provide essential services, achieve its corporate objectives and deliver against strategies and plans. There is added complexity in terms of governance in making key decisions as some of these are subject to consultation with the new shadow authority. There is risk that, if MVDC did not have mitigations in place some functions may not be safe and legal at the point of vesting day
Exceeding VAT partial exemption limit: Risk of exceeding the VAT partial exemption limit could lead to additional cost for the Council in 2026/27 as we would no longer be able to reclaim VAT on expenditure on exempt services and activities.

Reigate & Banstead

Risk Title/ Description
Financial sustainability: A combination of current adverse macroeconomic conditions and the wider local government funding context have created conditions of unprecedented financial uncertainty and challenge for the Council. The Council is therefore increasingly reliant on generating additional income and identifying savings and efficiencies from existing budgets. If not mitigated, these financial challenges risk an adverse impact on the Council's ability to deliver its Corporate Plan objectives.
Commercial investment: The generation of income from commercial investment is a contributor to the Council's financial sustainability. Following several high-profile commercial investment failures by local authorities, the ability to invest for a commercial purpose is being further restricted by changes in legislation, regulations, and codes of practice. Moreover, investing for commercial purposes – either in assets or in trading services – is not without risk due to market fluctuations and factors outside of the Council's control. The risks associated with commercial investment range from the non-achievement of budgeted income to significant capital and revenue losses, as well as governance, legal and reputational issues.
Challenging economic conditions: A prosperous economy is essential for the wellbeing of the borough, creating employment and wealth that benefits local people and businesses. Prevailing economic conditions influence the demand for Council services, where the current challenging economic picture for residents may increase their reliance on Council services, which could result in cost pressures for the Council.
Cost pressures affecting the viability of Council developments: The UK construction sector has seen an increase in building material and labour costs arising from uncertainties in the global supply chain and inflationary pressures. This disruption and increase in costs may impact the Council's ability to deliver economically viable development projects, where tenants may increasingly seek higher capital investment. It is now increasingly important that the council has appropriate funding/incentives to encourage commercial tenants for the lettings. The effects of this are multifaceted but could result in negative financial implications as well as jeopardising the delivery of strategic corporate objectives.

Risk Title/ Description
Organisational capacity and culture: The Council has an ambitious agenda and objectives. In order to deliver against these, it is crucial that the organisation is resourced appropriately, has effective enabling systems and a positive culture that supports effective working between officers and members. Any failure in this area risks the delivery of corporate and service objectives.
ICT network capacity and resilience: Cyber threats continue to evolve, including through the use of AI in attacks, while increased targeting of public sector bodies and the potential for councils involved in LGR activity to be viewed as higher-risk targets mean the likelihood of attempted attack is considered to have increased. The Council has seen more attempts in recent months and has strengthened security and training mitigations in response. It is therefore imperative that the Council continues to invest in robust systems, infrastructure, network security, monitoring, cyber awareness and disaster recovery capabilities to manage this risk and maintain the delivery of services.
Local Plan: In late 2024 the government published a new and revised National Planning Policy Framework (NPPF). There is a risk that the changes within the NPPF, as well as the wider national policy direction, could affect the timely delivery of the borough's new Local Plan. Additional elements of the new NPPF include a target of 1,306 homes per year, with Green Belt reviews to be undertaken if necessary to help meet the target. This will present challenges to the council. In December 2024, the 'English Devolution White Paper' was published. The plans within it will have a significant impact on the Council, and therefore the Local Plan.
Climate change impact: It is widely recognised that the Earth's climate is changing, with this forecast to result in more extreme weather. This could have negative impacts, including on the built and natural environment, with vulnerable residents likely to be most severely impacted. In response, the Council may encounter difficulties in delivering services and may similarly have additional demands placed upon it, particularly as climate change adaptation and mitigation becomes increasingly necessary.
Fraud: Due to the wide range of activities undertaken by the Council, there is a risk of fraud being committed. The risk is exacerbated from both legacy areas of activity and changes and additions to areas in which the council operates where fraud may be committed.

Risk Title/ Description
Local Government Reorganisation: The Government’s English Devolution White Paper (December 2024) proposes a new ‘architecture’ for local government which sees the replacement of two-tier local government by new Unitary Authorities; and introduces a new tier of Strategic Authorities. In February 2025, Surrey Authorities were invited to submit local government reorganisation proposals to Government against an ambitious timeframe to facilitate devolution as quickly as possible once new unitary government is in place. Two proposals were submitted and in October 2025 the Government announced that Surrey will be reorganised two new unitary authorities which will come into being in April 2027. The legislation required to implement LGR in Surrey is expected to come into force in March 2026, followed by unitary elections in May 2026 and the formation of a shadow unitary authority until Vesting Day on 1 April 2027 (at which point Reigate & Banstead Borough Council will be abolished). Surrey LGR is not a risk, it is a live issue that the Council is actively preparing for. However, the preparation and transition process up until the Council ceases to exist brings with it a number of risks, which – combined – are considered to be strategic in nature: diversion of staff resources, financial resources, constraints on Council activity, staff wellbeing, recruitment and retention, impacts on local service delivery.

Surrey CC

Risk Title/ Description
There is a risk that while implementing devolution and local government reorganisation in Surrey to the government's timeline there may be capacity and/or other constraints which could impact on the day-to-day services provided by SCC in the run up to vesting day
There is a risk that changes to the way that central government provides financial support for SEND, and the accompanying reforms, could destabilise the SEND system by driving increased demand and hence returning to a balanced budget is further delayed into the life of successor councils
There is a risk of a deliberate and / or targeted cyber attack compromising IT systems and critical IT infrastructure
There is a risk that the high (and increasing) unit costs for external placements for looked after children means that the budget is not achieved and there is further financial pressure on the council in this financial year, and for successor councils in future years
There is a risk that agreed efficiencies are not delivered and/or demand increases above the levels planned in the 26/27 Budget, this would lead to the unplanned use of reserves
There is a risk that SCC will not be able to recruit and retain sufficient numbers of skilled staff to manage & deliver quality services provided
There is a risk of failure to comply with H&S statutory duties (or managers/individuals failing to comply with H&S responsibilities and processes) could lead to serious harm, loss of life & corporate liability
There is a risk that the middle east conflict may have a short/medium term impact on SCCs ability to deliver services
There is a risk that the rising costs will reduce living standards for residents with some struggling to pay for the basic essentials
There is a risk that SCC will be unable to meet an increasing level of demand for adult services including spending pressures arising from NHS activity
There is a risk that we do not deliver consistent good quality practice in compliance with the Care Act and associated legislation in AWP to the residents of Surrey
There is a risk that a supplier or a commissioned service is unable to continue to provide a service, or that that they fail to do so to the required level or quality standards
There is a risk that severe weather events exacerbated by Climate Change leads to a loss of service provision and also other community-wide consequences

Risk Title/ Description
There is a risk that significant changes taking place in the operating environment of AWHP could result in service delivery being negatively impacted
There is risk that we will not achieve the intended outcomes of our transformation programme in the planned timeframe
There is a risk of failure to maintain key infrastructure or assets or deliver major infrastructure
There is a risk of a breach of the Data Protection Act from a loss/disclosure of personal data e.g. data published in public domain
There is a risk that there is a serious breakdown in council governance which could result in external reporting/intervention

Tandridge

Risk Title/ Description
Ensure the Council makes the savings identified in the Medium Term Financial Strategy and delivers a balanced outturn for 2026/2027.
Deliver the climate change strategy and action plan within agreed timescales to work towards net zero.
Manage the potential impact of Local Government Reorganisation (LGR), particularly on savings identification / delivery, staff retention, skills and capacity.
Ensure health and safety policies and procedures meet legislative requirements and best practice, are kept up to date and all staff are trained and reminded of their responsibilities.
Ensure there are systems, procedures and policies in place to protect against cyber-attacks.
Ensuring programme for the Local Plan is achievable and realistic
Five year housing land supply
Planning appeals and associated legal costs may exceed the committee's budget to deal with such matters (£900k).
Delivery of the Council House Building Programme
Ensure compliance with the Consumer Standards as set by the Regulator of Social Housing
Produce a credible plan, properly resourced which will bring the housing service into full compliance across all consumer standards and specify clear outcomes that the plan intends to deliver.
Failure to achieve C2 re-grading by 31 March 2027

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Annex C

Draft Corporate Risk Register Template and worked example

To enable East Surrey Council (ESC) as a new authority to manage its corporate risks (the most significant risks to the organisation in the delivery of its Council Strategy and priorities), a corporate risk register template has been developed. This template captures the key information that ESC would need to effectively manage each corporate risk and provides a tool to enable ESC to create a populated corporate risk register. The worked example is for illustrative purposes only but gives an idea of how the populated template would look.

The Corporate Risk Register would be owned by the Chief Executive and monitored and managed together with their Senior Leadership Team. Arrangements will be confirmed as to which team within ESC would lead on the coordination of risk management arrangements on behalf of the Chief Executive.

Draft Corporate Risk Register Template:

[Risk ID]	[Risk Title]	[Current RAG status]
Description	[Cause: What circumstances have led to this risk being identified and requiring recording and actioning on the risk register? Event: What are the triggers that cause this risk to become an issue? Impact: What effect will this risk have if it crystallises? Consider impact on the community, the Council, staff Does this risk apply to the whole Council or a specific area (e.g. federated council area)?]	
Risk Owners	Portfolio Holder: [Which Executive Member is responsible for this risk area?]	
	Senior Responsible Officer: [Which senior officer has overall responsibility for this risk, its mitigations, actions, etc.?)]	
Mitigations and Controls	[What are the key mitigations/ controls?]	
Post-mitigation Score	[RAG and score]	Likelihood [score] Impact [score]

Worked example (for illustrative purposes only):

CR6	Health and Safety	AMBER
Description	East Surrey Council (ESC) needs to provide services in a safe manner that protects the health and safety not just of its employees but also members of the public, trainees, contractors, Members and those who undertake work on behalf of ESC. If we fail to have good Health and Safety arrangements in place, this could lead to loss of service and / or preventable accidents to and ill health of staff, contractors, public or others affected by our undertakings. This is of particular importance due to the nature some of the services we provide to the public and vulnerable people. This risk cuts across organisational and objective boundaries and applies across the whole of East Surrey Council.	
Risk Owners	Portfolio Holder: Councillor XXX	
	Senior Responsible Officer: Name TBC	
Mitigations and Controls	- Corporate Health and Safety Policy, arrangements and procedures in place and regularly reviewed / audited - Regular spot check reviews of health and safety arrangements by qualified staff - Regular meetings of Health and Safety Board, who escalate any concerns to XXX Board - Health and Safety Board briefed on upcoming and amended Health and Safety legislation - Health and Safety action plan in place - Employee induction includes focus on Health and Safety and all employees provided with Health and Safety Guidance - Training in place for new and existing employees with specialist training provided as required - Organisational stress risk assessment in place and reviewed annually - Health and Safety risk assessments in place for all service areas and regularly reviewed - Lone working procedure in place for all service areas with bespoke arrangements in relation to individual business areas - Effective management/inspection of property and land assets - Health and safety integrated into procurement processes and contract management processes - Arrangements with partner organisations/ below procurement threshold contracts to ensure appropriate Health and Safety requirements are in place	
Post-mitigation Score	AMBER (12)	Likelihood: 3 Impact: 4

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Draft Corporate Risk Assurance Evidence Template and worked example

To provide East Surrey Council (ESC) with assurance that the mitigations and controls defined in the corporate risk register are in place and operate effectively, a draft assurance evidence template has been developed and a worked example provided.

It is envisaged that regular meetings between the Risk Owner (Senior Responsible Officer) for each corporate risk and the officer(s) responsible for managing the controls will take place. At these meetings the assurance evidence template may be used to assess the effectiveness of the controls in place for each risk.

A gap in assurance will be deemed to exist where there is no evidence or limited evidence that there are controls in place, or that they are effective. Whenever a gap in assurance is identified, an action should be put in place and allocated to an action owner.

Where controls exist, levels of assurance should be attributed to them during the review process. Proposed levels of assurance to be applied are:

Assurance Level	Details
Level 1: None	There is no evidence to support the effectiveness of the control and/or based on evidence the control is completely ineffective.
Level 2: Limited	The control is appropriately designed, however it is not consistently applied resulting in it being ineffective and inefficient.
Level 3: Adequate	The control is working effectively but there is scope for improvement to make it more efficient to reduce the cost of mitigation
Level 4: Substantial	The control is working effectively and efficiently.

ESC may wish to confirm the assurance level it aims to obtain – a suggestion is an assurance level 3 in all cases, depending on the severity of the risk in terms of impact on the Council. A substantial level of assurance should be obtained for risks with higher impact, as determined by senior officers.

Draft Corporate Risk Assurance Evidence Template:

[Risk ID]: [Risk Title] [Risk description]				Risk Owner (Senior Responsible Officer): [Name] OVERALL ASSURANCE LEVEL: [score]		
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Mitigations and Controls	Current Status	Evidence	Gaps in assurance	Assurance level	Actions to address gaps/improve assurance	Action owner/ timeframe

Date assurance evidence reviewed: [Date and names of officers reviewing]

Worked example (for illustrative purposes only):

CR6: Health and Safety East Surrey Council (ESC) needs to provide services in a safe manner that protects the health and safety not just of its employees but also members of the public, trainees, contractors, Members and those who undertake work on behalf of ESC. If we fail to have good Health and Safety arrangements in place, this could lead to loss of service and / or preventable accidents to and ill health of staff, contractors, public or others affected by our undertakings. This is of particular importance due to the nature some of the services we provide to the public and vulnerable people. This risk cuts across organisational and objective boundaries and applies across the whole of East Surrey Council.	Risk Owner (officer): TBC OVERALL ASSURANCE LEVEL XXX
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Mitigating Actions	Current Status	Evidence	Gaps in assurance	Assurance level	Actions to address gaps/improve assurance	Action owner/ timeframe
Corporate Health and Safety Policy, arrangements and procedures in place and regularly reviewed / audited	Policy, arrangements and procedures published on the intranet. Policy reviewed annually and signed off by the Chief Executive. Regular internal H&S audits. Etc...	H&S Policy published on the intranet. H&S Policy signed by the Chief Executive within last 12 months. Internal H&S audit reports. Etc...		4		
H&S training in place for new and existing employees with specialist training provided as required	Corporate H&S e-learning courses available on corporate training system which sends reminders to the new starter and the Etc...	Training records available. Completion of training reported to senior leadership team. Etc...	Poor completion of compulsory corporate H&S e-learning.	2	Senior officers to follow up with staff to improve performance, and report back to next senior leadership team meeting.	Senior leadership team. December 2026

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Draft corporate risk assessment matrix and scoring guidelines

Corporate Risk - Risk Scoring Guidelines

Once a risk has been identified, it is assessed according to the likelihood that it may happen and the extent of the impact it may have on the service or organisation should it happen.

Risks are scored for likelihood and impact using scoring guidelines. An example is set out below.

East Surrey Council will need to confirm its risk scoring guidelines for its corporate risks. Please note, this will apply to East Surrey Council corporate risks only. Legacy councils will continue to use their existing scoring guidelines for all other risks pending harmonisation post vesting day.

LIKELIHOOD		
The probability that the risk may occur		
Risk level	Likelihood	Description
1	Rare	May occur only in exceptional circumstances (<10%)
2	Unlikely	Could occur at some time (10%-29%)
3	Possible	Fairly likely to occur (30%-69%)
4	Likely	Will probably occur in most circumstances (70% to 89%)
5	Very Likely	Expected to occur in most circumstances (90% and over)

IMPACT				
The extent of the impact should the risk occur				
Risk Level	Impact	Financial	Service	Reputational
1	Minimal	< £100k	Annoyance but does not disrupt service	Contained within Service
2	Minor	£100k - < £500k	Some minor impact on service	Contained within Directorate
3	Moderate	£500k - < £3m	Moderate disruption to service	Local public/press interest
4	Major	£3m - < £8m	Serious disruption to service	National public or press interest
5	Severe	£8m and over	Total service failure	National publicity more than 3 days. Resignation of leading Member or Chief Officer

Corporate Risk - Risk Assessment Matrix

Risks are often prioritised using a scoring system in the form of a risk assessment matrix. An example is set out below.

Councils commonly regard the red area of a risk matrix as being above the risk tolerance of the Council. Risk tolerance is the threshold above which the level of risk is not acceptable and requires further action to reduce the risk. In the example matrix below, the risk tolerance would be 15 and above as shown in Red.

East Surrey Council will need to determine its risk tolerance level for corporate risks. Legacy councils will continue to use their existing arrangements for all other risks pending harmonisation post vesting day.

IMPACT	Severe 5	5	10	15	20	25
	Major 4	4	8	12	16	20
	Moderate 3	3	6	9	12	15
	Minor 2	2	4	6	8	10
	Minimal 1	1	2	3	4	5
		Rare 1	Unlikely 2	Possible 3	Likely 4	Very Likely 5
LIKELIHOOD						

Corporate Risk - RAG* Status Guidelines

The guidelines in the table below illustrate what is meant by a Red, Amber and Green rated risk, and the action that may be required.

Score	RAG Status	Explanation	Required Action
15 - 25	RED	A red risk is one which has exceeded the threshold above which the level of risk is not acceptable (the risk tolerance level) and requires further action to reduce the risk. NB It may be beyond the Council's ability or remit to mitigate further (eg limited resources, capacity, authority or external dependencies)	Risk owners to identify additional/amended mitigations to reduce the risk to below the risk tolerance level. This may include identification of additional support and / or resources.
8 - 12	AMBER	An Amber risk is one which could be mitigated further. Some additional support / resources may be required.	Risk owners to continue to manage the risk, and identify any additional support that may be required to prevent the risk becoming Red.
1 - 6	GREEN	A Green risk is one which which is being mitigated to an acceptable level. No additional support or resources currently required.	Risk owners continue to manage the risk.

*RAG status is a Red, Amber or Green rating

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Annex F

Draft Day 1 escalation process for consideration of risks at corporate risk level

Each legacy council will continue to manage its service/ directorate risks according to its locally agreed risk management arrangements, until harmonisation work is undertaken at the appropriate time post-Vesting Day.

In the meantime, it is important that a process is in place to escalate risks that legacy councils have highlighted as being high risk ('red' rated) and/or that have exceeded the legacy council's risk tolerance level. This will enable oversight and awareness of legacy risks and a route for discussion and potential inclusion on the corporate risk register.

The table below sets out the proposed escalation process. The management structures for East Surrey Council (ESC) have recently been proposed, and we have therefore included the types of meetings where risk discussions may take place within the management structure. Governance arrangements to report risks internally and externally through committee are yet to be confirmed.

	Escalation steps	Risk meeting format
1	A risk in a legacy council's service risk register is reviewed. The score means the risk is 'red' rated and/ or exceeds the tolerance threshold under the legacy risk management arrangements.	N/A
2	The legacy council manager responsible for that risk escalates to their service manager. They review the risk and agree that the risk score is correct and exceeds the tolerance threshold.	One to one meeting between legacy council manager and service manager, or sooner if required.
3	The service manager discusses with the managers from other legacy councils to gather information about a potential wider risk across East Surrey.	Service management board meeting, or sooner if required.
4	The service manager escalates to the Director for that service area. They review the risk and agree that the risk score is correct and exceeds the tolerance threshold.	One to meeting between service manager and their Director, or sooner if required.
5	The Director escalates to the Executive Director. They review the risk and agree that the risk score is correct and exceeds the tolerance threshold.	One to meeting between Director and their Executive Director, or sooner if required.
6	The Executive Director escalates to the Senior Leadership Team. They review the risk and agree that the risk score is correct and exceeds the tolerance threshold. The Chief Executive decides that the risk should be included on the Corporate Risk Register and confirms the senior officer responsible for the risk.	Senior Leadership Team meeting with responsibility for risk management, or sooner if required.
7	The senior officer responsible for the risk briefs the relevant Executive Member.	Executive Member portfolio briefing meeting, or sooner if required.
8	Risk is added to the Corporate Risk Register. The senior officer responsible for the risk manages, monitors and updates the risk for reporting to Executive Committee.	N/A

EAST SURREY SHADOW AUTHORITY AUDIT & GOVERNANCE COMMITTEE

MEETING DATE: 2 November 2026

REPORT OF EXECUTIVE MEMBER: Andy Burton, Portfolio Holder for Finance & Resources

LEAD OFFICER: Nikki O'Connor, Interim Chief Finance Officer (s151) and Russell Banks, Chief Internal Auditor at Surrey County Council and part of Finance LGR Workstream

SUBJECT: Update on the provision of internal audit activities to East Surrey Council

Purpose of the Report:

This report provides the East Surrey Shadow Audit & Governance Committee with a brief introduction to the role and purpose of internal audit, the Committee's responsibilities with regard to internal audit and a high level overview of how it is proposed these arrangements will work for East Surrey Council from 1 April 2027.

The Committee are also asked to agree to the proposal to provide a detailed workshop/training session for the committee, ahead of Vesting Day, covering key aspects of internal audit work along with the Committee's responsibilities in this regard.

Recommendations:

It is recommended that the Audit & Governance Committee resolves to:

1. Note the role, purpose and authority of both internal audit and the Audit & Governance Committee, as summarised within this report and the attached example Internal Audit Charter; and
2. Agree to a detailed workshop and training session on the above, to be delivered before the end of this calendar year.

Reason for Recommendations:

Internal audit is a statutory service in the context of the Accounts and Audit Regulations 2015, which require every local authority to maintain an 'effective internal audit to evaluate the effectiveness of its risk management, control and governance processes'.

The Audit & Governance Committee oversees the work of internal audit on behalf of the Council and, in order to do so effectively, requires a sufficient understanding of both the function and its own specific responsibilities in this regard.

To support the Committee in this regard, it is proposed that a detailed briefing session be provided covering the following areas:

- Introduction to Internal Audit
- Approach to Internal Audit Work
- The Role of the Committee in Relation to Internal Audit
- Audit & Governance Committee Engagement and Reporting (for Internal Audit)

Summary:

Role of Internal Audit

1. Internal audit functions operate within the context of strict and comprehensive professional standards, namely Global Internal Audit Standards (GIAS), along with the specific requirements of the Local Government Application Note, which sits alongside the standards.
2. The mission of Internal Audit is to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight. The purpose statement included in the GIAS states “Internal auditing strengthens the organisation’s ability to create, protect, and sustain value by providing the board and management with independent, risk-based, and objective assurance, advice, insight, and foresight”.
3. Internal auditing enhances the organisation’s:
 - Successful achievement of its objectives.
 - Governance, risk management, and control processes.
 - Decision-making and oversight.
 - Reputation and credibility with its stakeholders.
 - Ability to serve the public interest.
4. The full role and scope of internal audit is commonly set out within an Internal Audit Charter, an example of which is attached as Appendix A for the committee’s reference. The example provided is based on a version adopted by a number of local authorities which formed part of the former Orbis Internal Audit Partnership and was developed in line with best practice and the requirements of GIAS. It is anticipated that a version specific to East Surrey Council will be presented to the Audit & Governance Committee for approval in advance of Vesting Day, alongside an Internal Audit Strategy and Annual Audit Plan for 2027/28.

East Surrey Council Internal Audit Arrangements

5. In May 2026, a Terms of Reference for the Audit and Governance Committee was agreed which includes the following elements specific to its role with regard to internal audit:

- To consider the arrangements that need to be in place to secure adequate assurance across East Surrey Council's full range of operations and collaborations with other entities.
 - To approve the internal audit strategy and work plan for the East Surrey Council.
 - To review any internal audit reports relating to the Implementation Programme and monitor associated management actions.
6. In addition to these requirements, which are specific to the Shadow year, it is considered good practice for the committee to also receive a range of reports throughout the year, including regular summaries of all internal audit activities and findings, progress reports on the delivery of the internal audit plan, details of internal audit performance and an annual internal audit report. Currently these reports continue to be reported to existing council's Audit Committees, but from 1 April 2027 will transfer to the responsibility of the East Surrey Audit & Governance Committee.
 7. Internal audit provides an essential role in helping the Audit and Governance Committee fulfil its responsibilities, vital to which is regular and open communication between the Chief Internal Auditor and the Committee. This is achieved not only through formal reporting but also through periodic briefings and updates, including directly with the Chair of the committee.
 8. During 2027/28, internal audit services will be delivered to East Surrey Council as part of a hosted arrangement. The Internal Audit team will be employees of East Surrey Council but will provide services to both East Surrey Council and West Surrey Council. The core function is made of approximately 15 staff, who will transfer from Surrey County Council, supplemented with resources drawn from an external provider, Southern Internal Audit Partnership (SIAP). This arrangement will initially be for a 12 month period and exists because SIAP were the provider of internal audit services to a number of the district and borough councils across Surrey prior to Local Government Reorganisation, and whose contracts remain in place until 31 March 2028 (novated to East Surrey Council).

Internal Audit Delivery

9. The total level of internal audit resource for East Surrey Council, expressed in terms of direct audit days, amounts to approximately 1,900 days (including schools). This level of resource is based on levels currently delivered within the district and borough councils in East Surrey, along with a proportion of Surrey County Council's internal audit service.
10. In order to help ensure this resource is used to best effect, a risk based audit plan is prepared each year, for Audit & Governance Committee approval, setting out all of the individual audit assignments the service intend to carry out for the year ahead. This plan is matched to the resources available (audit days) and is subject to ongoing monitoring and review throughout the year.
11. The purpose of the internal audit plan is to help ensure that resources are focussed on the most important areas, primarily identified on a risk basis, and

that the results of this work, delivered over the course of year, will enable the Chief Internal Auditor to provide an overall opinion on the Council's governance, risk management and internal control arrangements. This opinion is set out within an annual internal audit report and is used to directly inform the Council's Annual Governance Statement.

12. In addition to the annual report, quarterly progress reports will also be presented to the Committee, covering the key findings from all completed audits during the preceding period, as well as updates on general internal audit delivery, internal audit performance (including against an agreed set of key performance indicators) and management progress in addressing any identified weaknesses arising from internal audit work. This will be based on formal follow up audits and established action tracking arrangements.
13. Finally, in addition to audit and assurance activities, the Internal Audit Service for East Surrey Council will also be providing counter fraud services, in conjunction with existing borough and district council teams, covering both proactive fraud prevention work and reactive investigations into suspected fraud, corruption and other wrongdoing. The results of this activity will also be reported to the Committee on periodic basis.

Consultation:

14. A hosted internal audit service, for a period of 12 months, was approved as part of service configuration decisions, by the Executive in September 2026. This proposal followed a number of informal member briefings, led by the D&LGR Implementation Team, on service configuration and hosted services. In October 2026, approval was given for the service to be hosted in East Surrey.

Risk Management and Implications:
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15. Given there are currently a range of different delivery models (and providers) in place for the provision of internal audit activities across the existing council's in East Surrey, and that for many of these the external contracts do not expire until 31 March 2028, an interim hosted arrangement mitigates the risk that internal audit services will become confused, disjointed and uncoordinated from vesting day. Service continuity is essential at a time of such high risk. An interim hosted model will enable the utilisation of resources available from current external contractors, which will help ensure resilience whilst allowing time for further review of longer-term options.

Financial and Value for Money Implications:
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16. There are no direct financial implications as a result of the recommendations in this report.

17. The total cost of the hosted Internal Audit Service for 2027/28 will be shared across East and West Surrey Councils. The costs are contained within existing budgets held by the existing councils in Surrey and therefore no additional financial pressures are anticipated in 2027/28 as a result of the hosted arrangements.

Section 151 Officer Commentary:
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18. 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.
19. 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.
20. There are no direct financial implications from the proposals set out in this report. As set out above, the cost of a hosted internal audit service, as agreed by Executives, is anticipated to be contained within existing budgets.

Legal Implications (Monitoring Officer Commentary):
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21. In accordance with the Accounts and Audit Regulations 2015, East Surrey Council must maintain adequate and effective internal audit of the Council's accounting records, control systems and financial transactions including any operations affecting the financial arrangements or the finances of the Council. That function is extensively the responsibility of an internal audit service which must comply with GIAS standards referred to above and other relevant Codes of Practice.
22. An authority can either delegate such functions to another authority under Section 101 of the Local Government Act 1972, and/or procure internal audit services from an external audit provider through the Council's procurement procedure rules.

Workforce Implications (People/Human Resources Commentary)

23. The proposed hosted arrangement will have direct workforce implications for the approximately 15 Internal Audit employees who are expected to transfer from Surrey County Council to East Surrey Council and provide services to both East and West Surrey Councils from 1 April 2027. The transfer will need to be managed in accordance with the relevant statutory transfer and consultation requirements, supported by timely and clear communication with affected employees and recognised trade unions. Appropriate induction,

management, wellbeing and change support should also be provided as the new operating arrangements are established.

24. Maintaining sufficient capacity, capability and professional independence will be essential to ensure continuity of this statutory service during the first year of the new Council. Workforce planning should therefore confirm that the combined in-house and external resource has the skills and resilience required to deliver the proposed audit plan and counter-fraud activity across both councils. Any workforce implications arising from the review of the longer-term delivery model beyond 2027/28 will need to be assessed and managed separately, with appropriate engagement and consultation. Subject to these arrangements, there are no further direct workforce implications arising from the recommendations in this report.

Equality and Diversity:

25. There are no direct equality and diversity implications of the recommendations in this report.

Climate Change and Sustainability:

26. There are no direct climate change and sustainability implications of the recommendations in this report.

What Happens Next:

27. Subject to the agreement to the recommendations in this report, a detailed workshop and training session will be provided for the Audit & Governance Committee before the end of this calendar year.
28. In addition, in advance of Vesting, an Internal Audit Strategy and Annual Audit Plan for 2027/28 will be prepared for Audit & Governance Committee approval, along with an Internal Audit Charter for East Surrey Council.

Report Author: Nikki O'Connor, Interim Chief Finance Officer (s151) and Russell Banks, Chief Internal Auditor at Surrey County Council and part of Finance LGR Workstream

Annex:

Appendix A – Example Internal Audit Charter

Sources/background papers:

None.

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INTERNAL AUDIT CHARTER

1. Introduction

This Charter describes for the Council the purpose, authority and responsibilities of the Internal Audit function in accordance with the Global Internal Audit Standards (GIAS) and the Local Government Application Note.

The GIAS require that the Charter must be reviewed periodically and presented to “the board” for approval. In addition, senior management have a key role in providing input to the board and the Chief Internal Auditor. For the purposes of this charter “senior management” will be the Corporate Leadership Team (CLT) and the board will be the Audit Committee (or equivalent).

The Charter shall be reviewed annually and approved by CLT and the Audit Committee. The Chief Internal Auditor is responsible for applying this Charter and keeping it up to date.

2. Internal Audit Purpose

The mission of Internal Audit is to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.

The purpose statement included in the GIAS states “Internal auditing strengthens the organisation’s ability to create, protect, and sustain value by providing the board and management with independent, risk-based, and objective assurance, advice, insight, and foresight.

Internal auditing enhances the organisation’s:

- Successful achievement of its objectives.
- Governance, risk management, and control processes.
- Decision-making and oversight.
- Reputation and credibility with its stakeholders.
- Ability to serve the public interest.

Internal auditing is most effective when:

- It is performed by competent professionals in conformance with the Global Internal Audit Standards, which are set in the public interest.
- The internal audit function is independently positioned with direct accountability to the board.
- Internal auditors are free from undue influence and committed to making objective assessments.”

Internal Audit supports the whole Council to deliver economic, efficient and effective services and achieve the Council’s vision, priorities and values.

3. Statutory Requirement

Internal audit is a statutory service in the context of the Accounts and Audit Regulations 2015, which require every local authority to maintain an effective internal

audit to evaluate the effectiveness of its risk management, control and governance processes taking into account GIAS or guidance.

These regulations require any officer or Member of the Council to:

- make available such documents and records; and
- supply such information and explanations; as are considered necessary by those conducting the audit.

This statutory role is recognised and endorsed within the Council's Financial Regulations.

In addition, the Council's S151 Officer has a statutory duty under Section 151 of the Local Government Act 1972 to establish a clear framework for the proper administration of the authority's financial affairs. To perform that duty the Section 151 Officer relies, amongst other things, upon the work of Internal Audit in reviewing the operation of systems of internal control and financial management.

4. Internal Audit Mandate

Annually, the Chief Internal Auditor is required to provide to the Audit Committee an overall opinion on the Council's internal control environment, risk management arrangements and governance framework to support the Annual Governance Statement.

Internal Audit is not responsible for control systems. Responsibility for effective internal control and risk management rests with the management of the Council.

Internal audit activity must be free from interference in determining the scope of activity, performing work and communicating results.

The scope of Internal Audit includes the entire control environment and therefore all of the Council's operations, resources, services and responsibilities in relation to other bodies. In order to identify audit coverage, activities are prioritised based on risk, using a combination of Internal Audit and management risk assessment (as set out within Council risk registers). Extensive consultation also takes place with key stakeholders and horizon scanning is undertaken to ensure audit activity is proactive and future focussed.

Internal audit activity will include an evaluation of the effectiveness of the organisation's risk management arrangements and risk exposures relating to:

- Achievement of the organisation's strategic objectives;
- Reliability and integrity of financial and operational information;
- Efficiency and effectiveness of operations and activities;
- Safeguarding of assets; and
- Compliance with laws, regulations, policies, procedures and contracts.

5. Independence

Internal Audit will remain sufficiently independent of the activities that it audits to enable auditors to perform their duties in a way that allows them to make impartial

and effective professional judgements and recommendations. Internal auditors should not have any operational responsibilities.

Internal auditors will not review specific areas of the Council's operation in which they have previously worked, until a period of at least 12 months has elapsed.

Internal Audit is involved in the determination of its priorities in consultation with those charged with governance. The Chief Internal Auditor has direct access to, and freedom to report in their own name and without fear of favour to, all officers and Members and particularly those charged with governance. This independence is further safeguarded by ensuring that the Chief Internal Auditor's formal appraisal/performance review is not inappropriately influenced by those subject to audit. This is achieved by ensuring that both the Chief Executive and the Chairman of the Audit Committee have the opportunity to contribute to this performance review.

All Internal Audit staff are required to make an annual declaration of interest to ensure that objectivity is not impaired and that any potential conflicts of interest are appropriately managed.

6. Appointment and Removal of the Chief Internal Auditor

In accordance with best practice, the Audit Committee should be consulted on, or informed of, the appointment and removal of the Chief Internal Auditor.

Any proposal to remove the Chief Internal Auditor should be transparent and involve the Audit Committee to ensure the decision does not undermine internal audit independence.

The Audit Committee should satisfy itself that the reasons for removal are appropriate and not linked to internal audit findings or challenge provided by the function. This reflects the GIAS emphasis on independence and board oversight.

7. Reporting Lines

Regardless of line management arrangements, the Chief Internal Auditor has free and unfettered access to report to the S151 Officer; the Monitoring Officer; the Chief Executive; the Audit Committee Chair; the Leader of the Council and the Council's External Auditor. This includes periodic administrative reporting arrangements to an individual in the organisation who can support the internal audit function's pursuit of the internal audit mandate.

There is a functional reporting relationship between the Chief Internal Auditor and the Audit Committee, who will receive reports on a periodic basis – as agreed with the Chair of the Audit Committee – on the results of audit activity and details of Internal Audit performance, including progress on delivering the audit plan. If deemed necessary by either party, the Audit Committee and Chief Internal Auditor may meet together privately, without management present.

These reporting arrangements feed into and support the maintenance of the independence of the function.

8. Fraud & Corruption

Managing the risk of fraud and corruption is the responsibility of management. Internal Audit will, however, be alert in all its work to risks and exposures that could allow fraud or corruption and will investigate allegations of fraud and corruption in line with the Council's Anti-Fraud and Corruption Strategy.

The Chief Internal Auditor should be informed of all suspected or detected fraud, corruption or irregularity in order to consider the adequacy of the relevant controls and evaluate the implication for their opinion on the control environment.

Internal Audit will promote an anti-fraud and corruption culture within the Council to aid the prevention and detection of fraud.

9. Consultancy Work

Internal Audit may also provide consultancy services, generally advisory in nature, at the request of the organisation. In such circumstances, appropriate arrangements will be put in place to safeguard the independence of Internal Audit and, where this work is not already included within the approved audit plan and may affect the level of assurance work undertaken; this will be reported to the Audit Committee.

In order to help services to develop greater understanding of audit work and have a point of contact in relation to any support they may need, Internal Audit has put in place a set of service liaison arrangements that provide a specific named contact for each service, and regular liaison meetings. The arrangements also enable Internal Audit to keep in touch with key developments within services that may impact on its work.

10. Resources

The work of Internal Audit is driven by the annual Internal Audit Plan, which is approved each year by the Audit Committee. The Chief Internal Auditor is responsible for ensuring that Internal Audit resources are sufficient to meet its responsibilities and achieve its objectives.

Internal Audit must be appropriately staffed in terms of numbers, grades, qualifications and experience, having regard to its objectives and to professional standards. Internal Auditors need to be properly trained to fulfil their responsibilities and should maintain their professional competence through an appropriate ongoing development programme.

The Chief Internal Auditor is responsible for appointing Internal Audit staff and will ensure that appointments are made in order to achieve the appropriate mix of qualifications, experience and audit skills. The Chief Internal Auditor may engage the use of external resources where it is considered appropriate, including the use of specialist providers.

11. Due Professional Care

The work of Internal Audit will be performed with due professional care and in accordance with the GIAS, the Local Government Application Note, the Accounts and Audit Regulations (2015) and with any other relevant statutory obligations and regulations.

In carrying out their work, internal auditors must exercise due professional care by considering:

- The extent of work needed to achieve the required objectives;
- The relative complexity, materiality or significance of matters to which assurance procedures should be applied;
- The adequacy and effectiveness of governance, risk management and control processes;
- The probability of significant errors, fraud or non-compliance; and
- The cost of assurance in proportion to the potential benefits.

Internal auditors will also have due regard to the Seven Principles of Public Life – Selflessness; Integrity, Objectivity; Accountability; Openness; Honesty; and Leadership, as well as the GIAS’ Ethics and Professionalism domain and the principles underpinning this of: integrity, objectivity, competency, due professional care and confidentiality.

12. Quality Assurance

The Chief Internal Auditor will control the work of Internal Audit at each level of operation to ensure that a continuously effective level of performance – compliant with the GIAS and Local Government Application Note, is maintained.

A Quality Assurance Improvement Programme (QAIP) is in place which is designed to provide reasonable assurance to its key stakeholders that Internal Audit:

- Performs its work in accordance with its charter;
- Operates in an effective and efficient manner; and,
- Is adding value and continually improving the service that it provides.

The QAIP requires an annual review of the effectiveness of the system of Internal Audit to be conducted. Instances of non-conformance with the GIAS, including the impact of any such nonconformance, must be disclosed to the Audit Committee. Any significant deviations must be considered for inclusion in the Council’s Annual Governance Statement.

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EAST SURREY AUDIT & GOVERNANCE COMMITTEE**MEETING DATE:** 2 November 2026**REPORT OF EXECUTIVE MEMBER:** Not applicable – report for information**LEAD OFFICER:** Jackie King, Customer & Corporate Services Theme Lead**SUBJECT:** 2026/27 Retrospective Complaints Reporting Approach**Purpose of the Report:**

The purpose of this report is to advise the Audit & Governance Committee of the 2026/27 retrospective annual complaints reporting approach for legacy councils following Vesting Day.

Annual complaints reports for the 2026/27 reporting year cannot be completed until after the legacy councils and their usual governance routes have ceased.

The Committee is asked to note that three statutory annual complaints reports will be produced for Housing, Adult Social Care and Children's Social Care only. Historic Corporate complaints data will be retained for future reference, analysis and benchmarking.

Recommendations:

It is recommended that the East Surrey Shadow Authority's Audit & Governance Committee resolves to:

1. Note the decision to support a statutory-only approach to 2026/27 retrospective annual complaints reporting for the legacy council period.

Statutory annual complaints reports will be produced for Housing, Adult Social Care and Children's Social Care only. Retrospective Corporate complaints annual reports will not be produced for the legacy councils within East Surrey. 2026/27 corporate complaints (non-housing & non-social care) data will be retained for future reference, analysis and benchmarking as required.

Reason for Recommendations:

2. This approach meets statutory reporting obligations whilst avoiding the disproportionate production of non-statutory annual reports for councils which will no longer exist.
3. It also allows the officer capacity that would otherwise be required to produce those reports to focus on ensuring East Surrey Council has effective complaint handling, oversight and reporting arrangements in place from Vesting Day.

Options, including alternatives (if any)

4. **Produce statutory reports only (preferred option):** this covers Housing (Tandridge District Council), Adult Social Care and Children's Social Care (Surrey County Council), where annual reporting requirements are prescribed through legislation and the Ombudsman Code. This option ensures statutory compliance while keeping LGR activity focused on transition.
5. **Produce both statutory and non-statutory reports (not recommended):** as corporate complaints reporting is not statutory, producing these reports after the legacy councils have ceased would require officer capacity that can be better directed to embedding and developing East Surrey Council's complaint handling, oversight and reporting arrangements following Vesting Day.
6. **Do not produce retrospective reports (not recommended):** this is not recommended as the statutory reporting requirements for Housing, Adults Social Care and Children's Social Care remain in place, even though the relevant annual reports can only be completed after the legacy councils have ceased to exist.

Summary:**2026/27 Retrospective Complaints Reporting Approach**

7. Councils produce annual complaints reports retrospectively, covering complaints received between 1st April and 31st March (this is also the statutory reporting period for Housing and Social Care). 2026/27 reporting year will therefore close on 31st March 2027, immediately before Vesting Day on 1st April 2027. As a result, the full year of complaints data will not be available for analysis and reporting writing until after the legacy councils and their usual governance arrangements have ceased.
8. It typically takes around two to three months to analyse annual complaints data and prepare the report, followed by a further period for approval and publication. In normal circumstances, this means annual complaints reports are often finalised and published several months after the end of the reporting year. For 2026/27, all substantive report preparation and approval activity will therefore take place post-Vesting Day.
9. Statutory annual reporting requirements apply to Housing complaints, Adult Social Care complaints and Children's Social Care complaints. Housing reports must be published and provided to the Housing Ombudsman through the annual submission process. Adult Social Care and Children's Social Care

complaints reporting is governed by statutory complaints procedures and must remain available for appropriate assurance and oversight.

10. Corporate complaints reporting, covering non-housing and non-social care complaints, is not subject to the same annual statutory reporting requirement. The Local Government and Social Care Ombudsman Complaint Handling Code promotes effective oversight, learning and reporting, but does not prescribe a statutory annual submission process equivalent to the Housing Ombudsman Code.
11. East Surrey Officer Board considered the retrospective reporting approach in October 2026 and supported statutory reporting only for Housing, Adult Social Care and Children's Social Care. The approach reflects the Local Government Reorganisation Programme's principle of "transition, not transformation": meeting statutory duties while avoiding unnecessary work to produce non-statutory annual reports for organisations that will no longer exist.
12. For East Surrey Council, the Housing reporting requirement relates to Tandridge District Council (single report), the only legacy council in East Surrey with the relevant social housing landlord responsibilities falling within the Housing Ombudsman Complaint Handling Code.
13. Adult Social Care and Children's Social Care complaints reporting will be managed on a countywide basis. Historic complaints data cannot be reliably split between East Surrey and West Surrey because location information was not historically collected in a way that supports retrospective disaggregation. Producing retrospective East/West figures where the underlying data does not support this would risk inaccurate or misleading reporting. The Adult Social Care and Children's Social Care reports will therefore remain countywide. One report will be produced for Adult Social Care and another report produced for Children's Social Care.
14. The underlying corporate complaints data for legacy councils will be retained for future reference, analysis and benchmarking. In addition, the Local Government and Social Care Ombudsman (LGSCO) will continue to publish its own annual performance and complaint reporting for legacy councils for 2026/27, providing external transparency for Ombudsman-related complaint activity.
15. Appropriate senior officer approval arrangements will be confirmed before the statutory reports are finalised, recognising that the legacy councils' usual approval routes will no longer exist after Vesting Day. These arrangements will

need to provide clear accountability and sufficient subject-matter assurance for each statutory report.

16. The approach has been developed with input from the Customer & Web Workstream, Adult Social Care and Children's Social Care Themes, and Housing colleagues represented through the relevant workstream arrangements. The Adult and Children's Themes, which manage complaints for their respective service areas, have endorsed the statutory-only reporting approach.

Consultation:

17. **LGR Programme:** the approach has been developed jointly across the Customer & Corporate Services, Adult Social Care and Children's Social Care Themes, and Housing colleagues represented through the relevant LGR Programme and Workstream arrangements. All stakeholders who manage complaints for their respective service areas have endorsed the statutory-only reporting approach.
18. **East Surrey Officer Board:** the approach has been approved by the East Surrey Officer Board in October 2026.
19. **LGSCO:** the approach has been discussed with the LGSCO in relation to corporate complaints reporting. The LGSCO advised that it does not generally prescribe the content of councils' complaints reports and regards reporting arrangements as a matter for local determination. Its principal interest is that East Surrey Council has effective complaint handling, oversight and reporting arrangements in place from Vesting Day onwards, so there is no perception that complaints are being deprioritised during transition.

Risk Management and Implications:
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20. **Delay to statutory reporting:** If data owners, named leads, activities and deadlines are not confirmed before Vesting Day, then statutory complaints reports may be delayed after the legacy councils have ceased, including publication or submission to the Ombudsman where required. This will be mitigated by confirming named leads, data owners, preparation tasks, delivery dates, handover arrangements and escalation routes before Vesting Day, documented through the relevant Theme and implementation plans.
21. **Post-Vesting Day accountability:** If appropriate officer sign-off arrangements are not confirmed before the statutory reports are prepared, then accountability for reports relating to former councils may be unclear after Vesting Day. This will be mitigated by confirming proportionate officer sign-off

arrangements through transition planning and recording them in relevant programme and operational documentation.

- 22. Transparency and public assurance:** If non-statutory corporate annual complaints reports are not produced, then this could be perceived as reducing transparency over legacy complaints activity. This will be mitigated by retaining the underlying corporate complaints data for future analysis and benchmarking, and by maintaining effective complaint handling and reporting arrangements from Vesting Day. The LGSCO will also continue to publish annual reporting on legacy councils' Ombudsman-related complaint activity.

Financial and Value for Money Implications:
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23. The proposed approach is expected to be delivered within existing programme and service resources. It represents a proportionate use of officer capacity by focusing post-Vesting Day effort on reports that are required by legislation, statutory guidance or regulatory codes, rather than producing non-statutory retrospective reports for organisations that will no longer exist.
24. There are no direct additional financial commitments arising from this noting report. Any staffing time required to prepare statutory reports, retain data and support appropriate approval routes will be managed through existing transition planning and relevant Theme implementation activity.
25. To be completed by the interim Section 151 Officer for East Surrey. Draft text for review: The report recommends a proportionate approach that focuses available resources on statutory and regulatory reporting requirements. There are no direct additional financial implications arising from the recommendations, and any officer time required will be managed through existing transition and service planning arrangements.

Section 151 Officer Commentary:
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26. 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.
27. 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.

28. The recommendations in this report represent a proportionate approach, focusing available resources on statutory and regulatory reporting requirements. There are no direct additional financial implications arising from the recommendations, and any officer time required will be managed through existing transition and service planning arrangements.

Legal Implications (Monitoring Officer Commentary):

29. The proposed approach recognises the different status of statutory and non-statutory complaints reporting. Statutory and regulatory reporting obligations for Housing, Adult Social Care and Children's Social Care will continue to be met after Vesting Day. Corporate complaints reporting is not subject to an equivalent statutory annual report requirement. However, retaining data and ensuring effective complaint handling arrangements from Vesting Day will support transparency, accountability and compliance with relevant Ombudsman expectations.

Workforce Implications (People/Human Resources Commentary)

30. The approach does not create a new operating model or additional permanent workforce requirement. It will require clear allocation of responsibilities for data extraction, analysis, report drafting, assurance and senior-officer approval, which should be reflected in Theme delivery plans and handover arrangements before Vesting Day.

Equality and Diversity:

31. No direct equality impacts have been identified as a result of this approach.
32. Complaint reporting supports transparency, accountability and learning from residents' experiences, including where complaints relate to access, communication, service quality or impacts on people with different protected characteristics.
33. Retaining complaints data and ensuring future complaint handling arrangements are in place from Vesting Day will support continued monitoring and learning.

Climate Change and Sustainability:

34. No direct climate change or sustainability implications have been identified. The approach avoids unnecessary production and governance activity for non-statutory retrospective reports, while ensuring statutory reports are produced where required.

What Happens Next:

- Implementation planning is continuing through the relevant Themes and workstreams to confirm named leads, data owners, delivery dates, handover arrangements and appropriate officer sign-off arrangements before Vesting Day.
- Corporate complaints data will be retained for future reference, analysis and benchmarking.
- Transition planning will continue to ensure complaints can be received, managed, overseen and reported appropriately from Vesting Day.

Report Author: Eleanor Brown, Customer & Web Workstream Co-Lead

Annex:

None

Sources/background papers:

None

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Audit and Governance Committee Forward Work Programme– 2026/27

Report title	Remit / Scope	Report author	Responsible officer
2 NOVEMBER 2026			
Risk management approach for East Surrey	Consider the proposed approach to Risk Management for East Surrey Council, make appropriate observations and recommend to the East Surrey Shadow Executive for approval.	Interim Chief Finance Officer (S151 Officer)	Interim Chief Finance Officer (S151 Officer)
Financial Procedure Rules & Contract Standing Orders	East Surrey Council Constitution: Financial Procedure Rules & Contact Standing Orders.	Interim Chief Finance Officer (S151 Officer)	Interim Chief Finance Officer (S151 Officer)
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.	Interim Chief Finance Officer (S151 Officer)	Interim Chief Finance Officer (S151 Officer)
Annual Complaints Reporting Approach - 2026/27	To note that three statutory annual complaints reports will be produced for Housing, Adult Social Care and Children's Social Care only. Historic Corporate complaints data will be retained for future reference, analysis and benchmarking.	Senior Responsible Officer	Senior Responsible 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)
Whistleblowing Policy	To bring a revised 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
Appointment of Independent Co-Opted Members to the Audit and Governance Committee	To make a recommendation to the Shadow Authority for the approval of the appointment to the Audit and Governance Committee of Independent Co-opted Members.	Interim Monitoring Officer	Interim Monitoring Officer
9 MARCH 2027			
Internal Audit Plan 2027/28	To approve the Internal Audit Plan for Vesting Day onwards.	Interim Chief Finance Officer (S151 Officer)	Interim Chief Finance Officer (S151 Officer)