



FINANCIAL PROCEDURE 6

External Arrangements

Financial Procedure - 6 External Arrangements

This procedure forms part of the Financial Regulations and Procedures in the Constitution of Lincolnshire County Council

CONTENTS

- 1.** Purpose of Procedure
- 2.** Key Controls
- 3.** Responsibilities of Chief Officers/Statutory Officers/Members
- 4.** Procedures
 - 4.1 Partnerships
 - 4.2 External Funding
 - 4.3 Work for Third Parties
 - 4.4 External Grant
 - 4.5 Companies
- 5.** Related Documents
- 6.** Contacts for Advice or Assistance

Financial Procedure - 6 External Arrangements

This procedure forms part of the Financial Regulations and Procedures in the Constitution of Lincolnshire County Council

1. Purpose of Procedure

To inform officers of mandatory requirements, including those embodied in the County Council Constitution and to provide guidance on principles of best practice on issues relating to attracting external funding and working with external partners.

For the purpose of this Financial Procedure **Chief Officer** refers to the **Chief Executive, Executive Directors and Chief Fire Officer**.

2. Key Controls

Financial and other issues to be considered before establishing a partnership where the Council works jointly with other bodies

- Financial Management arrangements for external arrangements.

3. Responsibilities of Chief Officers/ Statutory Officers /Members

Executive directors are responsible for ensuring that appropriate approvals are obtained before any negotiations are concluded in relation to work with external bodies.

This Financial Procedure sets out what approvals are needed and what needs to be done to obtain them.

The **Section 151 Officer** has statutory duties in relation to the financial administration and stewardship of the Council, which cannot be overridden.

These statutory duties include.

- setting and monitoring compliance with corporate standards, and
- advising on the key financial controls necessary to secure sound financial management.

Other parts of this procedure represent best practice and provide guidance. There should be a convincing justification for any departures from this.

4. Procedures

4.1 Partnerships

What is a Partnership?

CIPFA has defined partnership as: a joint working arrangement where the partners:

- Are otherwise independent bodies.
- Agree to co-operate to achieve a common good.
- To achieve it, create an organisational structure or process and agreed programme, and share information, risks and rewards.

Financial Procedure - 6 External Arrangements

This procedure forms part of the Financial Regulations and Procedures in the Constitution of Lincolnshire County Council

“Partnership” is not intended to include arrangements where the Council has a dominant influence. This includes contractual relationships even if there is a long-term contract and the Council works in close cooperation with the contractor for example in planning and managing work.

“Partnership” is intended to include arrangements where decisions with actual or potential financial implications require the consent of the Council’s partner or partners.

The application of best practice guidance in this financial procedure should be proportionate to the scale of a proposed partnership and the associated risks.

The governance, legal, financial and other aspects of partnerships need to be considered carefully where:

- The Council’s partner(s) will have a key role in ensuring the delivery of a significant service or project, or,
- The partnership will have a clear influence on the policies and allocation of the Council’s budgets, or,
- The partnership, rather than the Council, determines the allocation of Council money, or,
- There is a risk that the Council could be required to meet a significant liability.

When is a Partnership Appropriate?

The Council works in partnership with others – public agencies, private companies, community groups and voluntary organisations. The Council will continue to deliver services but also has a leadership role to play in bringing together the contributions of other stakeholders. Partnerships should deliver better outcomes for service users and better value for money.

Partnership arrangements are appropriate when they have the potential to deliver something that is unlikely to be achieved by another form of working arrangement. This could include:

- the desire to find new ways to share risks
- the ability to access new resources
- to provide new and better ways of delivering services
- to forge new relationships
- to save costs

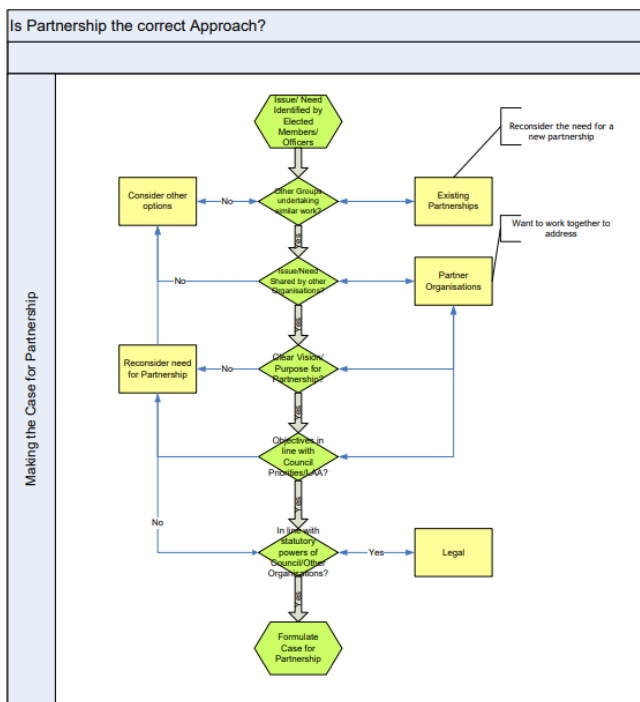
Partnerships can bring benefits - they can help respond to problems that can’t be tackled effectively by one organisation alone, however, they can also bring risk as working across organisational boundaries can bring ambiguity that weakens accountability.

Consideration should be given to alternative delivery vehicles and a case made for the costs and benefits of entering into a Partnership.

There are a number of questions that need to be asked before a partnership is set up. The flowchart below shows the considerations required to decide if a partnership is the best approach.

Financial Procedure - 6 External Arrangements

This procedure forms part of the Financial Regulations and Procedures in the Constitution of Lincolnshire County Council



Establishing a Partnership

Once it has been determined that Partnership is the appropriate approach, the Council's participation in all new partnerships must be approved by **the Executive**.

The Executive is responsible for approving delegations, including frameworks for partnerships and is the focus for forming partnerships with other public, private, voluntary and community sector organisations to address local needs.

The Executive can delegate functions – including those relating to partnerships – to Officers. These are set out in the individual Directorate scheme of delegation that forms part of the Council's Constitution.

Where functions are delegated, **the Executive** remains accountable for them to the full Council.

The **Section 151 Officer** also has responsibilities in relation to the establishment of partnerships.

Financial Procedure - 6 External Arrangements

This procedure forms part of the Financial Regulations and Procedures in the Constitution of Lincolnshire County Council

The **Section 151 Officer** must:

- Ensure that costs, benefits and risks are assessed fully before partnership agreements are made.
- Ensure that governance, accountability and reporting arrangements are appropriate and Clear.
- Ensure that financial arrangements are appropriate and safeguard the Council's interests.
- Consider legal issues.

The following must be considered when decisions are taken on partnership arrangements:

- A business case must be prepared for the Executive or Chief Officer proposing why the establishment of a partnership is the appropriate vehicle to deliver the service. The business case will include Section 151 Officer comments and must include a risk assessment.

The **Section 151 Officer's** responsibilities will ensure that proposed partnership arrangements comply with the Council's requirements.

To agree and accept the roles and responsibilities of each partner involved in a partnership, every partnership should be formed by a formal written document this may be either:

- a full legal agreement,
- service level agreement,
- or a working protocol.

Legal advice should be sought in all cases as to the most appropriate document and the wording used. All matters to address in establishing a partnership is shown in the checklist below.

Financial Procedure - 6 External Arrangements

This procedure forms part of the Financial Regulations and Procedures in the Constitution of Lincolnshire County Council

CHECKLIST – ESTABLISHING A PARTNERSHIP

Decide whether a partnership is appropriate	
1	See section 4.1 of Financial Procedure 6
Seek professional advice	
2	Arrange for financial and legal advice in developing partnership proposals.
3	Consider whether other advice is needed e.g. HR advice, Commercial
Prepare a business case and risk assessment	
4	Agree business case format with the Section 151 Officer
5	Prepare business case including costs and benefits
6	Prepare risk assessment
Develop partnership arrangements	
7	Develop governance, accountability and reporting arrangements
8	Propose roles and responsibilities for each of the partners
9	Develop proposed financial arrangements
10	Consider legal issues
11	Draft written agreement
Seek approval	
12	Obtain Section 151 Officer comments on financial and Legal Services Lincolnshire for legal issues
13	Draft report on the proposed partnership and proposed partnership arrangements for Executive or officer for decision
14	Decision by the Executive or Chief Officer

Partnership Financial Arrangements

The following issues must be considered when developing financial arrangements for the partnership:

Accountability

- clarity as to which organisation is the Accountable Body
- meeting the reporting and other requirements of the Accountable Body
- internal financial controls
- arrangements for internal and external audit
- Responsibility/liability for overspendings or losses.

Financial Procedure - 6 External Arrangements

This procedure forms part of the Financial Regulations and Procedures in the Constitution of Lincolnshire County Council

Accounting

- accounting records
- information to support the accounting records
- register of fixed assets
- year end balances
- Treasury including banking.

Financial decision making

- partnership funding
- budget setting
- budget management
- carry forward of over and under spending's

Monitoring and reporting

- budget monitoring
- monitoring reports
- year-end financial performance

Changes to Partnership Arrangements

Changes which may have a significant impact on the partnership or the agreed partnership arrangements will need to be considered and agreed. The processes will be similar to that for establishing a partnership but proportionate to the potential impact of the proposed changes.

4.2 External Funding

Deciding Whether to Bid for External Funding

In deciding whether or not to make a bid for external funding **Chief Officers, Executive Councillors or the Executive** must ensure that:

- The project contributes to the Council's corporate objectives.
- Matched funding is available within existing budgets.
- Partner contributions are confirmed.
- Risks are assessed and minimized including :
 - Where funding is linked to the achievement of specific outcomes
 - Where success relies on others
- The Council has the capacity to deliver the outcomes and timescales required
- There is a clear exit strategy where external funding is for a limited period. Project plans should assume that external funding will not be replaced by Council funding.

Financial Procedure - 6 External Arrangements

This procedure forms part of the Financial Regulations and Procedures in the Constitution of Lincolnshire County Council

- The project should not involve longer term commitments: for example, consideration should be given to employing project staff on time limited contracts of employment.

And must consider:

- The probability of success in obtaining funding, particularly in relation to the resource costs of preparing bids
- Co-ordination of bids and initiatives within the Council and with partners • Whether the project represents value for money

To assist the Council in deciding whether to bid for external funding:

- a report must be prepared for the Chief Officer, the Executive or Executive Councillor relevant to the service proposing a bid for external funding
- This report will include Section 151 Officer comments on financial issues and Legal Services comments on legal issues.
- The report must be supported by;
 - a business case in the format agreed by the Section 151 Officer
 - A risk assessment.

The length and detail of the business case should be proportionate to the scale of the proposed project and the associated risks. Consultation with the appropriate Executive Councillor and Chief Officer is detailed below:

- The **Executive** for projects where the external funding bid is more than £500,000.
- The appropriate **Executive Councillor** and **S151 Officer** – for projects where the external funding bid is between £250,000 and £500,000
- The appropriate **Chief Officer** and **the S151 Officer** – for projects where the external funding bid is between £50,000 -£250,000

The above criteria are included within the bid application for external funding and does not constitute approval to spend on the project itself. See (Financial Procedure 1 – Financial Planning and Management).

The **Section 151 Officer** must ensure that:

- Costs, benefits and risks are assessed fully before partnership agreements are made;
- Governance, accountability and reporting arrangements are appropriate and clear; and
- Financial arrangements are appropriate and safeguard the Council's interests.

In cases of urgency, applications for external funding may be provisionally made following email approval to do so by the appropriate **Chief Officer** or **Executive Councillor** depending on the value of the external funding bid outlined above.

The appropriate consultation must be carried out retrospectively and before the funding is formally accepted.

Commented [CW1]: Is this still the correct range ?

Commented [CW2R1]: Updated in line with revised constitution

Financial Procedure - 6 External Arrangements

This procedure forms part of the Financial Regulations and Procedures in the Constitution of Lincolnshire County Council

CHECKLIST – BIDDING FOR EXTERNAL FUNDING

Decide whether an external funding bid is appropriate	
1	Consider whether the project would contribute to the Council's corporate objectives.
2	Consider whether the Council is the most appropriate body to bid for funding.
3	Consult partners and other parts of the Council which may have an interest.
4	Consider whether the project would represent value for money.
5	Consider probability of the bid being successful.
Developing an external funding bid	
6	Consider whether other parts of the Council or other bodies might contribute to any funding required.
7	Consider whether any matched funding requirement is available within existing budgets.
8	Consider whether the Council has the capacity to deliver the project in the timescales required.
9	Determine an exit strategy.
Prepare a business case and risk assessment	
10	Use business case format agreed by Section 151 Officer/Executive Director – Commercial.
11	Prepare business case including costs and benefits
12	Prepare risk assessment
13	Confirm partners' commitment to funding.
Seek approval	
14	Obtain Section 151 Officer comments on financial issues.
15	Obtain Monitoring Officer comments on legal issues.
16	Consult with the Executive , appropriate Executive Councillor or Chief Officer .
17	Make application for External Funding

Financial Procedure - 6 External Arrangements

This procedure forms part of the Financial Regulations and Procedures in the Constitution of Lincolnshire County Council

4.3 Works for Third Parties

When considering work for a third party a report must be prepared for;

- the **Executive** (greater than £100,000),

The report will include Section 151 Officer comments on financial issues and Monitoring Officer comments on legal issues and must be supported by:

- A business case
- A risk assessment.

The length and detail of the report should be proportionate to the scale and duration of the proposed project and the associated risks.

Chief Officers must maintain a register of all contracts entered into with third parties.

4.4 External Grants

There are two main types of grant claim where terms and conditions will apply:

- Project grants – grants where the Council must make a bid for the funding. A project grant will be managed by a Project Manager who has responsibility for delivering the project and the financial management that goes with that position.
- Standard grants – grants which the Council does not need to bid for, but are the subject of a regular external audit. For these grants, the processes to be followed will be much reduced and, in many cases, a grant claim is not required. However, the grant needs to be recorded, monitored throughout the year and may require a statement of expenditure to the funding body.

It should be noted that income from the Dedicated Schools Grant is not defined as standard grant income for the processes in this document.

Project Grants – Receiving a Grant Offer

When a bid is accepted the Project Manager should inform Financial Services of this position.

The following is a checklist of issues for Project Managers to consider and address when receiving a grant offer:

1	Has the original signed document of the offer been received, verified, and filed securely?

Commented [CW3]: Are these still the correct £ values ?

Commented [CW4R3]: Updated Constitution seems to state £100k for executive

Financial Procedure - 6 External Arrangements

This procedure forms part of the Financial Regulations and Procedures in the Constitution of Lincolnshire County Council

2	Has a Grant Funding Set Up Form together with a copy of the offer letter been completed and sent to Financial Services
3	Has the grant been added to the income and expenditure budgets of the Directorate?
4	Have all the relevant guidance notes and instructions been received from the grant body?
5	Have all the involved parties been informed of the success (of the bid, for example) <ul style="list-style-type: none">• The Budget Manager• Senior Management• Strategic Finance Lead• Other involved Directorates• External Partners
6	Has a file (and systems) been set up to monitor and record the operational and financial progress of the activity for the purposes of providing: <ul style="list-style-type: none">• Management Information• Accounting Records• Grant Claims

Standard Grants

On notification of the terms of a standard grant, the Budget Manager must complete a Grant Funding Set up Form (see above) and send it to their relevant Finance Business Partnering Team - Financial Services.

The **Budget Manager** should consider items 3 to 6 on the Checklist above.

Grants Register

The Financial Accounting Team – Financial Services, will delegate a member of their team to oversee the preparation of an annual central Grants Register, recording all revenue and capital grant income due to the Council.

All Finance Business Partnering Teams, within Financial Services, will delegate a person to work with the delegated Financial Accounting team member, to ensure the grants received by their Directorate are accurately recorded in terms of;

- Name of grant received
- Name of funding body awarding the grant
- Whether the grant needs a Section 151 or Section 31 sign-off
- Whether the grant expenditure needs to be audited
- Which Budget Manager has responsibility for the use of the grant

Financial Procedure - 6 External Arrangements

This procedure forms part of the Financial Regulations and Procedures in the Constitution of Lincolnshire County Council

- The total value of the grant to be received in the financial year
- The monthly profile of the grant income to be received
- The financial system account code and budget code to be used for the grant.
- The terms and conditions of the grant

Monitoring

External grants and the associated activity and spending should be monitored on a regular basis following the principles of the Council's Financial Procedure 1 – Financial Planning and Management.

For grant related spending and income, the aim is:

- To maximise grant receivable by ensuring that spending meets the grant conditions.
- To ensure that spending remains within budget.
- To ensure that grant income is received on time.
- To ensure that the wider budgetary implications of the grant are adequately recorded, reported and acted upon e.g. where there are knock-on effects for other services.

The following requirements relate specifically to project type grants:

- The **Project Manager** will monitor the project on a regular basis for both outputs and financial control.
- The **Project Manager** must seek advice from their **Budget Manager** and **Strategic Financial Lead** if for any reason they consider the outputs or financial criteria will not be met or require changing. If the need for change is verified, the relevant funding body must be informed as soon as possible.
- No changes will be acted upon until written approval is received from the funding body.
- Once approval to the change has been received, any budget changes must be notified to **Strategic Finance Leads – Financial Services** and entered onto the Council's financial accounting system.

Grant Claims

Grant claims must be compiled by the **Project Manager** (for project grants) or the **Budget Manager** (for standard grants) following the relevant grant guidelines as issued by the funding body.

The **Project Manager** or **Budget Manager** must ensure that the relevant forms and reports are completed when claims and/or progress reports are due allowing enough time to meet the required deadlines for submission of the claim.

Evidence to support each claim must be available in accordance with the requirements of the offer letter and grant guidelines. This must include all financial system prints used to identify the expenditure. Wherever practicable, this information must be retained in the grant claim file.

Commented [CW5]: This has been updated.

Financial Procedure - 6 External Arrangements

This procedure forms part of the Financial Regulations and Procedures in the Constitution of Lincolnshire County Council

Where it is not practicable to include a particular piece of evidence within the grant claim file, reference should be made to the location of the evidence. This will allow the Council's External Auditor to be able to trace any information or statement on the claim form back to the evidence which supports it.

Project Managers and **Budget Managers** must consider the following Checklist to review the working papers in their grant claim files:

1.	The date of preparation and the name of the officer preparing the working papers, and the officer reviewing them.
2.	A copy of the authority-certified claim or return to the funding body.
3.	Copies of original approvals, subsequent variations and any other correspondence with the funding body.
4.	A comparison of expenditure with approvals.
5.	A reconciliation of income and expenditure in the claim or return to the working papers with reports from the Council's Financial System.
6.	Details of payments made on account, supported by relevant advice notes from the funding body where applicable.
7.	Copy of the defrayed expenditure report, obtainable from the Council's Financial System where required
8.	Details of large journal transfers.
9.	Notes on the basis of any expenditure apportionment.
10.	Cross referencing of working papers to the appropriate cells of the claim or return.
11.	Details of where you can find the evidence that contracts relating to the project were let in accordance with the Council's Contract and Financial Regulations.
12.	Evidence of independent auditor certification of income and expenditure, where required by the Grant Conditions, including where these were incurred by another body.
13.	Appropriately organised sections, with an index or list of contents.

The grant claim and corresponding evidence must then be sent to the relevant Council Strategic Finance Lead - Financial Services for review in accordance with the required timescales. Consideration must be given to allow Financial Services sufficient time to review the claim.

The relevant **Strategic Finance Lead - Financial Services**, will use the checklist below to review the Grant Claim Form and working papers and will complete Part B of the Grant Claim Control form.

Financial Procedure - 6 External Arrangements

This procedure forms part of the Financial Regulations and Procedures in the Constitution of Lincolnshire County Council

1.	Does the file contain a copy of the original bid, letter of approval, and any subsequent amendment letters?
2.	Is the claim form a signed original and is it crossed referenced to the working papers?
3.	Are all fields/boxes completed where applicable?
4.	Are the calculations on the form arithmetically correct?
5.	Does the file contain proof of expenditure and income where appropriate, with reconciliations to the Councils Finance system together with copies of the appropriate financial reports from the Councils finance system?
6.	Is expenditure eligible for the grant?
7.	Are the claim/control forms signed by the appropriate officer(s)?
8.	Is the claim form numbered and dated?
9.	Are any backing papers accompanying the claim of adequate quality, signed, and dated?
10.	Are working papers of adequate quality, organised into appropriate sections, and adequately cross referenced?

The **Strategic Finance Lead - Financial Services** will resolve any issues arising from the review with the Project Manager or Budget Manager prior to the claim being authorised.

The appropriate Strategic Finance Lead – Financial Services will arrange for certification by the Head of Finance, where required, or will return the claim form to the Project Manager for appropriate certification. In the latter case, this will be to the Budget Manager or Senior Manager (not themselves).

Certifying Grant Claims

Where the **S151 Officer / Strategic Financial Lead** is responsible for the certification of a grant claim they will be responsible for reporting an overview to their relevant Service Leadership Teams including budget implications.

Upon authorisation, the grant claim/report must be sent without delay to the relevant funding body.

Receipt of Grant Income

The appropriate Finance Business Partnering Team - **Financial Services** will inform the **Financial Accounting Team – Financial services** when grant income is due. This assists with both cash flow forecasts and the overall investment strategy.

Commented [CW6]: Added reference to cash flow

Commented [CW7R6]: Added AR monitoring actual grant income received process now in place

Financial Procedure - 6 External Arrangements

This procedure forms part of the Financial Regulations and Procedures in the Constitution of Lincolnshire County Council

The Accounts Receivable Team – Financial Services, will update the grant register with grant income received, on a monthly basis, and inform the relevant Business Partnering Team if grant income amounts, anticipated, are still outstanding after three months.

Audit Certification

The relevant Finance Business Partnering Team – Financial Services will provide the Council's Internal / External Auditor with regular reports on grant claims which are due to be audited.

It is the responsibility of the **Project Manager** or **Budget Manager** to ensure that the claim is audited in accordance with the grant terms and conditions. However, the Finance Business Partnering Team - Financial Services will co-ordinate this process.

If the requirements of the offer letter stipulate, then the claim must be sent to the Council's External Auditor with all appropriate documentation.

For project grants, the Council's External Auditor will notify the Project Manager if any changes are to be made due to ineligible expenditure, insufficient evidence or expenditure out of period. It is the responsibility of the Project Manager to let the Financial Services Team know of any changes.

The Council's External Auditor will supply a copy of the audited claim to the Project Manager or Budget Manager and the Business Partnering Team - Financial Services.

4.5 Companies

Financial Investment into a Company for a financial return is covered in both the Council's Treasury Management Strategy Statement and their Capital Strategy.

Per Section 1.7.1 of the Council's Treasury Management Strategy Statement, it outlines the definition of investments, per the revised CIPFA Treasury Management and Prudential Code 2021, as requiring all investments and investment income to be attributed to one of three purposes either;

- Treasury management,
- Service delivery or
- Commercial return

Financial investment in Companies would fall into the third category of 'commercial return', which the Treasury Management Service Strategy states are;

Classed as Non-Treasury Investments held primarily for financial return with no treasury management or direct service provision purpose. Risks on such investments should be proportionate to an authority's financial capacity – i.e., that 'plausible losses' could be absorbed in budgets or reserves without unmanageable detriment to local services.

An authority is not permitted to borrow to invest primarily for financial return and hence not to finance this class of investment.

Financial Procedure - 6 External Arrangements

This procedure forms part of the Financial Regulations and Procedures in the Constitution of Lincolnshire County Council

The Prudential Code (2021) states that,

Local authorities are reminded that the prime policy objective of their treasury management investment activities is the security of funds, and they should avoid exposing public funds to unnecessary or unquantified risk.

Authorities should consider a balance between security, liquidity and yield that reflects their own risk appetite but that prioritises security and liquidity over yield. It is therefore important that authorities adopt an appropriate approach to risk management with regard to their investment activities

The Prudential Code [CIPFA Prudential Code for Capital Finance 2021](#) determines that certain acts or practices are not prudent activity for a local authority and incur risk to the affordability of local authority investment:

- In order to comply with the Prudential Code, an authority must not borrow to invest primarily for financial return.
- It is not prudent for local authorities to make any investment or spending decision that will increase the capital financing requirement, and so may lead to new borrowing, unless directly and primarily related to the functions of the authority and where any financial returns are either related to the financial viability of the project in question or otherwise incidental to the primary purpose.

5. Related Documents.

- County Council Constitution
- The Council's Financial Strategy
- Individual Directorates Schemes of Authorisation

6. Contacts for Advice or Assistance.

Advice on this financial procedure can be sought from Financial Services.