

# Part D

  

# Financial Regulations

*Date Revised: September 2017*

*Date for Next Review: September 2019*

<b>Part D – Table of Contents</b>	<b>Page</b>
<b>Status of Financial Regulations.....</b>	<b>4</b>
Introduction.....	4
<b>Financial Management.....</b>	<b>5</b>
Introduction.....	5
Responsibilities .....	5
Virements and Variations .....	7
Contributions to or from Reserves.....	9
Setting Fees & Charges.....	9
Treatment of year-end balances .....	9
Accounting policies.....	10
Accounting records and returns .....	10
The annual statement of accounts .....	12
<b>Financial Planning .....</b>	<b>13</b>
Introduction.....	13
Policy Framework.....	13
Budgeting - Revenue.....	13
Budget format .....	13
Budget preparation .....	14
Budget monitoring and control.....	15
Medium Term Planning.....	17
Budget Control – Capital .....	18
Maintenance of Reserves.....	19
Leases .....	20
<b>Risk Management and Control of Resources.....</b>	<b>21</b>
Introduction.....	21
Risk Management .....	21
Internal Control.....	22
Audit Requirements.....	24
Preventing Fraud and Corruption .....	26
Assets.....	27
Stocks, Stores, Furniture & Equipment .....	29
Buildings, Land & Property.....	29
Treasury Management .....	30
Banking Arrangements.....	31
Staffing .....	33
Insurance.....	34
Write off of Bad Debts .....	34
Breaches of Financial Regulations.....	35
<b>Systems and Procedures .....</b>	<b>36</b>
Introduction.....	36
General.....	36
Income and expenditure.....	38
Income .....	38
Ordering and paying for work, goods and services .....	40
Payments to employees and members .....	42

Taxation.....	44
Trading accounts.....	45
<b>External Arrangements.....</b>	<b>46</b>
Introduction.....	46
Partnerships .....	46
External Funding .....	48
Work for Third Parties .....	49
Accountable Body .....	50
<b>Contract Procedural Rules.....</b>	<b>51</b>
Introduction.....	51
Context.....	52
Before We Start.....	52
Contract Strategy (Appendix A).....	55
How We Buy the Things We Need.....	56
Framework agreements .....	58
Electronic Procurement.....	59
Concession Contracts .....	60
The EU Directives .....	60
Receiving and opening tenders.....	61
Clarification Procedures and Post-Tender Negotiation .....	63
Evaluating tenders.....	63
Awarding contracts and Audit Trails.....	65
Standstill Period (for all contracts over £50,000 - Bands 4 & 5).....	65
Contract Award Notice .....	66
Conditions of contract.....	66
Parent Company Guarantees and Performance Bonds.....	67
Disposal of Assets.....	67
Exemptions from the Rules .....	67
Transfers of Contracts.....	68
Conflicts of Interest.....	69
Variations .....	69
Contract formalities .....	69
Post Contract Monitoring and Evaluation .....	69
Prevention of Corruption .....	70
Procurement by Consultants .....	70
Income Generation Opportunities .....	71

# Status of Financial Regulations

## Introduction

Financial regulations provide the framework for managing the Council's financial affairs. They apply to every Member and Officer of the Council and anyone acting on its behalf.

The regulations identify the financial responsibilities of the Full Council, the decision making Committee (Management Committee/Strategy Committee/Cabinet) and members of the Scrutiny & Performance/Overview & Scrutiny Committee and Audit/Audit & Governance/Accounts and Audit Committees, the Chief Executive, the Monitoring Officer, Section 151 Officer, Senior Leadership Team (SLT) and Corporate Management Team (CMT).

Members of SLT should maintain a written record where decision making has been delegated to members of their staff, including seconded staff. Where decisions have been delegated or devolved to other responsible employees reference to Members of SLT in the Regulations should be read as referring to them.

All Members and Officers have a general responsibility for taking reasonable action to provide for the security of the assets under their control, and for ensuring that the use of these resources is legal, is properly authorised, provides value for money and achieves best value.

The Strategic Director is responsible for maintaining a continuous review of the financial regulations and submitting any additions or changes necessary to the full Council for approval. The Strategic Director is also responsible for reporting, where appropriate, breaches of the financial regulations to the decision making Committee.

CMT are responsible for ensuring that all staff in their Service are aware of the existence and content of the Council's financial regulations and other internal regulatory documents and that they comply with them. They must also ensure that all Officers are aware of their availability on the Intranet.

The Strategic Director is responsible for issuing advice and guidance to underpin the financial regulations that Members, Officers and others acting on behalf of the Council are required to follow.

# Financial Regulations

## Financial Regulation A:

### Financial Management

#### Introduction

- A.1 Financial management covers all financial accountabilities in relation to the running of the Council, including the policy framework and budget.
- A.2 All Officers and Members have a duty to abide by the highest standards of probity in dealing with financial issues. This is facilitated by ensuring everyone is clear about the standards to which they are working and the controls that are in place to ensure that these standards are met.

#### Responsibilities

##### Full Council

- A.3 The Full Council is responsible for adopting the Council's Constitution and Councillors' Code of Conduct and for approving the policy framework and budget within which the Council operates. It is also responsible for approving and monitoring compliance with the Council's overall framework of accountability and control. The framework is set out in its Constitution. The Full Council is also responsible for monitoring compliance with the agreed policy and related decision making Committee decisions.
- A.4 The Full Council is responsible for approving procedures for recording and reporting decisions taken. This includes those key decisions delegated by and decisions taken by the Full Council and its committees. These delegations and details of who has responsibility for which decision's, are set out in Part C of the Constitution.

##### Committees of the Council

- A.5 The decision making Committee is responsible for proposing the policy framework and budget to the Full Council, and for discharging Committee functions in accordance with the policy framework and budget.
- A.6 The Scrutiny & Performance/Overview & Scrutiny Committee is responsible for scrutinising decision making Committee decisions before or after they have been implemented and for holding the decision making Committee to account.
- A.7 The Audit/Audit & Governance/Accounts and Audit Committees is responsible for approving the Statement of Accounts and receiving reports from external and internal auditors.
- A.8 Functions which are the responsibility of the decision making committee can be further delegated by the Leader and as otherwise provided for in the Article 7, Part 2 of the constitution.

## Statutory Officers

### Head of Paid Service (Chief Executive)

A.9 The Chief Executive is responsible for the corporate and overall strategic management of the Council as a whole. They must report to and provide information for the decision making Committee, the Full Council, the Scrutiny & Performance/Overview & Scrutiny Committee and other Committees. They are responsible for establishing a framework for management direction, style and standards and for monitoring the performance of the organisation. The Chief Executive is also responsible, together with the Monitoring Officer, for the system of record keeping in relation to all the Full Council's decisions (see below).

### Chief Finance Officer (Strategic Director)

A.10 The Chief Finance Officer has statutory duties in relation to the financial administration and stewardship of the Council. This statutory responsibility cannot be overridden. The statutory duties arise from:

- Section 151 of the Local Government Act 1972
- The Local Government Finance Act 1988
- The Local Government and Housing Act 1989
- The Accounts and Audit Regulations 1996
- The Local Government Act 2003

A.11 The Chief Finance Officer is responsible for:

- the proper administration of the authority's financial affairs
- setting and monitoring compliance with financial management standards
- advising on the corporate financial position and on the key financial controls necessary to secure sound financial management
- providing financial information
- preparing the revenue budget and capital programme
- provide advice on the robustness of the budget estimates
- comment on the adequacy of reserves
- Treasury Management.

A.12 Section 114 of the Local Government Finance Act 1988 requires the Chief Finance Officer to report to the Full Council, the decision making Committee and external auditor if the Council or one of its Officers:

- has made, or is about to make, a decision which involves incurring unlawful expenditure
- has taken, or is about to take, an unlawful action which has resulted or would result in a loss or deficiency to the Council

- is about to make an unlawful entry in the Council's accounts.

A.13 Section 114 of the 1988 Act also requires:

- the Chief Finance Officer to nominate a properly qualified member of staff to deputise should they be unable to perform the duties under section 114 personally
- the Council to provide the Chief Finance Officer with sufficient staff, accommodation and other resources including legal advice where this is necessary – to carry out the duties under section 114.

A.14 The Responsible Financial Officer must also make a report under this section if it appears that the expenditure of the authority (including expenditure it is proposing to incur) in a financial year is likely to exceed the resources (including sums borrowed) available to meet that expenditure.

### **Monitoring Officer (Strategic Director)**

A.15 The Monitoring Officer is responsible for promoting and maintaining high standards of financial conduct and therefore provides support to the Standards Committee. The Monitoring Officer is also responsible for reporting any actual or potential breaches of the law or maladministration to the Full Council and/or to the decision making Committee, and for ensuring that procedures for recording and reporting key decisions are operating effectively.

### **SLT and CMT**

A.16 SLT & CMT are responsible for:

- ensuring that the decision making Committee members are advised of the financial implications of all proposals and that the financial implications have been agreed by the Chief Finance Officer,
- signing contracts on behalf of the Council
- to promote sound financial practices in relation to the standards, performance and development of Officers in their Services.

A.17 It is the responsibility of SLT and CMT to consult with the Chief Finance Officer and seek approval on any matter liable to affect the Council's finances materially, before any commitments are incurred.

### **Virements and Variations**

A.18 The decision making Committee is responsible for agreeing procedures for virements and variations between budget headings.

A.19 A variation is defined as moving a budget from one heading to another heading within the same category (employees, premises, transport etc)

A.20 A virement is defined as moving a budget to a heading within a different category, therefore using the budget for a different purpose than originally intended, for example moving a budget within supplies and services to a transport heading.

### Why is this important?

A.21 The virements and variations scheme is intended to enable the decision making Committee, CMT and their staff to manage budgets with a degree of flexibility within the overall policy framework determined by the Full Council, and therefore optimise the use of resources

### Key Controls

A.22 Key controls for the virements and variations scheme are:

- (a) It is administered by the Chief Finance Officer within parameters set out in A.23. The overall budget is set by Full Council. Budget Holders are therefore authorised to incur expenditure in accordance with the estimates that make up the budget. The rules below cover the process of switching resources between approved estimates or heads of expenditure
- (b) Virement or variation do not create additional overall budget liability
- (c) When the virement is to increase an income budget the Chief Finance Officer may require the production of a robust business plan before the virement is approved or additional expenditure incurred
- (d) When determining which value category the variation or virement falls into, the cumulative value of previous variations or virements on the codes should be taken into account
- (e) If the Chief Finance Officer does not authorise the virement or variation, the CMT staff member may ask the matter to be considered by the decision making Committee. The Chief Finance Officer's report to the decision making Committee should outline the reasons for non-approval.

### Responsibilities

A.23 The level of approval required will depend on where the revenue budget is being moved to and from and its value, as detailed below.

	Value	Variation	Virement
	up to £5,000	Senior Accountant	Senior Accountant
	£5,000 - £10,000	Senior Accountant	Manager (Finance)
	£10,001 - £100,000	Manager (Finance)	Head of Service
	£100,000 +	Head of Service	S151 Officer

A.24 Virements between capital budget schemes must be approved by the decision making committee.



## **Contributions to or from Reserves**

### **Why is this important?**

A.25 Holding adequate reserves is a key part of good financial management. Reserves are either held for specific purposes (earmarked reserves) or for dealing with unexpected items not included within the budget (general reserves).

### **Key Controls**

A.26 Risk based assessment of general reserves sets out the minimum and maximum levels of general reserves that should be held.

A.27 Chief Finance Officer must confirm that the reserves are adequate.

A.28 Regular reporting of the level of reserves as part of the budget monitoring process to the decision making committee.

### **Responsibilities of Chief Finance Officer**

A.29 Requests for contributions to or from all reserves need the approval of the Chief Finance Officer in accordance with the agreed purpose of the reserve.

### **Responsibilities of the decision making committee**

A.30 The decision making committee will agree the purpose of the reserve.

## **Setting of Fees & Charges**

### **Why is this important?**

A.31 Appropriate levels of fees & charges help avoid any unnecessary burden on Council resources across statutory and non-statutory services. Fee setting should be reactive, throughout the year, to appropriately set fees ranging from cost recovery to maximising income from trading services.

### **Key Controls**

A.32 Chief Finance Officer must establish a charging policy for the supply of goods and services, including the appropriate charging of VAT, and review it regularly in line with other corporate strategies e.g. commercialisation.

### **Responsibilities of Chief Finance Officer**

A.33 It is the delegated responsibility of the Chief Finance Officer to agree all changes to fees & charges.

## **Treatment of year-end balances**

### **Why is this important?**

A.34 The potential to carry forward underspends at the year end allows CMT to manage budgets flexibly however this needs to be balanced against the overall financial position of the Council.

### **Key Controls**

A.35 Net underspendings on service estimates under the control of CMT may be carried forward subject to:

- The approval of the Chief Finance Officer who will make an assessment of the overall Council Balances.
- The reporting to and approval of the decision making committee detailing the source of underspending or additional income and the proposed application of those funds.

### **Responsibilities of Chief Finance Officer**

A.36 It is the responsibility of the Chief Finance Officer to administer the scheme and to approve all over and underspending on service estimates to be carried forward.

### **Responsibilities of the decision making committee**

A.37 It is the responsibility of the decision making committee to approve the carry forward requests, put forward by the Chief Finance Officer.

## **Accounting policies**

### **Why is this important?**

A.38 The Chief Finance Officer is responsible for the preparation of the Council's statement of accounts, in accordance with proper practices for each financial year ending 31 March.

### **Key Controls**

A.39 The key controls for accounting policies are:

- (a) Systems of internal control are in place that ensure financial transactions are lawful
- (b) Suitable accounting policies are selected and applied consistently
- (c) Proper accounting records are maintained
- (d) Financial statements are prepared which provide a true and fair view of the authority and its expenditure and income.

### **Responsibilities of Chief Finance Officer**

A.40 To select accounting policies and ensuring that they are applied consistently. The accounting policies are set out in the statement of accounts, and cover such items as:

- separate accounts for capital and revenue transactions
- the basis on which debtors and creditors at year end are included in the accounts
- details on substantial provisions and reserves
- fixed assets
- depreciation
- capital charges
- work in progress
- stocks and stores
- accounting for value added tax

- government grants
- leasing
- pensions.

## **Accounting records and returns**

### **Why is this important?**

A.41 Maintaining proper accounting records is one of the ways in which the Council discharges its responsibility for stewardship of public resources. The Council has a statutory responsibility to prepare its annual accounts to present a true and fair view of its operations during the year. These are subject to external audit. This audit provides assurance that the accounts are prepared properly, that proper accounting practices have been followed and that quality arrangements have been made for securing economy, efficiency and effectiveness in the use of the Council's resources.

### **Key Controls**

A.42 The key controls for accounting records and returns are:

- (a) All finance staff and budget holders operate within the required accounting standards and timetables
- (b) All the Council's transactions, material commitments and contracts and other essential accounting information are recorded completely, accurately and on a timely basis
- (c) Procedures are in place to enable accounting records to be reconstituted in the event of a systems failure
- (d) Reconciliation procedures are carried out to ensure transactions are correctly recorded
- (e) Prime documents are retained in accordance with legislative and other requirements.

### **Responsibilities of Chief Finance Officer**

A.43 To determine the accounting procedures and records for the Council. When these are maintained outside Financial Services, CMT must consult the Chief Finance Officer.

A.44 To Arrange for the compilation of all accounts and accounting records under their direction

A.45 To comply with the following principles when allocating accounting duties

- (a) Separating the duties of providing information about sums due to or from the Council and calculating, checking and recording these sums from the duty of collecting or distributing them
- (b) Employees with the duty of examining or checking the accounts of cash transactions must not themselves be engaged in these transactions.

- A.46 To make proper arrangements for the audit of the Council's accounts in accordance with the Accounts and Audit Regulations
- A.47 To ensure that all claims for funds including grants are made by the due date.
- A.48 To authorise all grant claims or applications on behalf of the Council or where the Council is acting as accountable body.
- A.49 To ensure the proper retention of financial documents in accordance with legislative and other requirements.

### **Responsibilities of SLT and CMT**

- A.50 To comply with the principles of A.41 when allocating accounting duties.
- A.51 To maintain adequate records to provide a management trail leading from the source of income / expenditure through to the accounting statements.
- A.52 To supply information required to enable the statement of accounts to be completed in accordance with guidelines issued by the Chief Finance Officer.
- A.53 To ensure all grant claims or applications on behalf of the Council or where the Council is acting as accountable body are signed by the Chief Finance Officer or nominated deputy.

### **The annual statement of accounts**

#### **Why is this important?**

- A.54 The Council has a statutory responsibility to prepare its own accounts to present a true and fair view of its operations during the year. Audit/Audit & Governance/Accounts and Audit Committees is responsible for approving the statutory annual statement of accounts.

#### **Key Controls**

- A.55 The key controls for the annual statement of accounts are:
  - (a) The Council is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of these affairs. In this Council, that officer is the Strategic Director.
  - (b) The Council's statement of accounts must be prepared in accordance with proper practice.

#### **Responsibilities of Chief Finance Officer**

- A.56 The Chief Finance Officer must:-
  - (a) select suitable accounting policies and to apply them consistently
  - (b) make judgements and estimates that are reasonable and prudent
  - (c) comply with the Proper Practice
  - (d) sign and date the statement of accounts, stating that it presents fairly the financial position of the Council at the accounting date and its income and expenditure for the year ended 31 March

- (e) draw up the timetable for final accounts preparation and to advise staff and external auditors accordingly.

# Financial Planning

## Financial Regulation B:

### Introduction

- B.1 The Full Council is responsible for agreeing the Council's policy framework and budget, which will be proposed by the decision making committee. In terms of financial planning, the key elements are:
- The Revenue Budget
  - The Capital Programme
  - The Medium Term Financial Plan

### Policy Framework

- B.2 The Full Council is responsible for approving the policy framework and budget.
- B.3 The Full Council is also responsible for approving procedures for agreeing variations to approved budgets, plans and strategies forming the policy framework and for determining the circumstances in which a decision will be deemed to be contrary to the budget or policy framework.
- B.4 The Full Council is responsible for setting the level at which the decision making committee may reallocate budget funds from one service to another. The decision making committee is responsible for taking in-year decisions on resources and priorities in order to deliver the budget policy framework within the financial limits set by the Council.

### Budgeting - Revenue

#### Budget format

- B.5 The general format of the budget will be determined by the Chief Finance Officer.

#### Why is this important?

- B.6 The format of the budget determines the level of detail to which financial control and management will be exercised. The format shapes how the rules around variations and variations will operate and sets the level at which funds may be reallocated within budgets.

#### Key Controls

- B.7 The key controls for the budget format are:
- (a) The format complies with all legal requirements
  - (b) The format complies with CIPFA's Service Reporting Code of Practice
  - (c) The format reflects the accountabilities of service delivery

## **Responsibilities of Chief Finance Officer**

B.8 To determine the format of the budget that is approved by Full Council.

### **Budget preparation**

#### **Why is this important?**

B.9 The Council is a complex organisation responsible for delivering a wide variety of services. It needs to plan effectively and to develop systems to enable scarce resources to be allocated in accordance with priorities. The budget is the financial expression of the Council's plans and policies.

B.10 The revenue budget must be constructed so as to ensure that resource allocation properly reflects the service plans and priorities of Full Council. Budgets are needed so that the Council can plan, authorise, monitor and control the way money is allocated and spent. It is illegal for a council to budget for a deficit.

B.11 The Chief Finance Officer is responsible for ensuring that a detailed revenue budget is prepared on an annual basis and an outline financial plan for future years for consideration by the decision making committee, before submission to the Full Council. The Full Council may amend the budget or ask the decision making committee to reconsider it before approving it.

B.12 The budget approved by Full Council, usually in February each year, sets out the planned income and expenditure for the year ahead. This provides the legal authority for officers to incur expenditure. It is important that the budget reflects service plans and priorities.

### **Key Controls**

B.13 Budget proposals are considered by Scrutiny & Performance/Overview & Scrutiny Committee prior to final consideration by the decision making committee and recommendation to Full Council

B.14 Once off sources of funding are not used to support ongoing expenditure without being explicitly explained

B.15 Amendments to the budget at Full Council must be made in writing 55 hours before the meeting commences and must identify the source of funding for the amendment.

B.16 Budget managers are consulted in the preparation of the budgets for which they will be held responsible and accept accountability for their budgets and the level of service to be delivered

B.17 A monitoring process is in place to review regularly the effectiveness and operation of budget preparation and to ensure any corrective action is taken.

### **Responsibilities of the Chief Finance Officer**

B.18 To prepare the detailed annual revenue budget and outline financial plan for future years for the decision making committee

- B.19 To prepare and submit reports on budget prospects for the decision making committee, including resource constraints set by the Government. Reports should take account of medium-term prospects, where appropriate.
- B.20 To determine the detailed form of revenue estimates and the methods for their preparation, consistent with the budget approved by the full Council, and after consultation with the decision making committee.
- B.21 To prepare and submit reports to the decision making committee on the aggregate spending plans of services and on the resources available to fund them, identifying, where appropriate, the implications for the level of Council Tax to be levied.
- B.22 To encourage the best use of resources and value for money by working with SLT and CMT to identify opportunities to improve economy, efficiency and effectiveness, and by encouraging good practice in conducting financial appraisals of development or savings options, and in developing financial aspects of service planning.
- B.23 To advise the Full Council on the decision making committee proposals in accordance with their responsibilities under section 151 of the Local Government Act 1972.
- B.24 To certify the robustness of the budget estimates.

#### **Responsibilities of SLT and CMT**

- B.25 To ensure that budget estimates reflect agreed service plans and that these estimates are prepared in line with guidance issued by the Chief Finance Officer
- B.26 Draw attention to the Chief Finance Officer of any significant changes to the service which will impact upon the service budget estimates or future years budgets.
- B.27 Undertake budget preparation tasks as identified by the Chief Finance Officer.
- B.28 To integrate financial and budget plans into service planning, so that budget plans can be supported by financial and non-financial performance measures

#### **Budget monitoring and control**

##### **Why is this important?**

- B.29 Budget management ensures that once the budget has been approved by Full Council, resources allocated are used for their intended purposes and are properly accounted for. Budgetary control is a continuous process, enabling the Council to review and adjust its budget during the financial year. It also provides the mechanism that calls to account managers responsible for defined areas of the budget.
- B.30 By continuously identifying and explaining variances against budgets, the Council can identify changes in trends and resource requirements at the earliest opportunity. The Council itself operates within an overall limit, approved when setting the budget. To ensure that the Council does



not overspend, each service is required to manage its own expenditure and income within the budget allocated to it.

### **Key Controls**

B.31 The key controls for managing and controlling the revenue budget are:

- (a) Budget holders are responsible for budgets within their area
- (b) There is a named budget holder for each budget
- (c) Budget holders accept accountability for their budgets and the level of service to be delivered and understand their financial responsibilities
- (d) Budget holders follow an approved certification process for all expenditure
- (e) Income and expenditure is properly accounted for
- (f) Regular budget monitoring and reporting.

### **Responsibilities of the Chief Finance Officer**

B.32 The Chief Finance Officer is responsible for establishing an appropriate framework of budgetary management and control that ensures:

- (a) budget management is exercised within annual limits unless the Full Council agrees otherwise
- (b) CMT has available timely information on receipts and payments on each budget which is sufficiently detailed to enable managers to fulfil their budgetary responsibilities
- (c) expenditure is committed only against an approved budget head
- (d) all officers responsible for committing expenditure comply with relevant guidance, and the financial regulations
- (e) each budget has a single named responsible officer. As a general principle, budget responsibility should be aligned as closely as possible to the decision-making processes that commits expenditure
- (f) significant variances from approved budgets are investigated and reported by budget managers regularly.

B.33 The Chief Finance Officer is responsible for providing appropriate financial information to enable budgets to be monitored effectively. They must monitor and control overall expenditure and income against budget and high-level, budget monitoring reports should be produced on a regular basis to both the decision making committee and SLT.

B.34 The Chief Finance Officer will advise on whether expenditure is revenue or capital. The Chief Finance Officer will determine the most appropriate source of funding at the time of setting the budget and on production of the Statement of Accounts.

### **Responsibilities of SLT**

B.35 To hold CMT to account for the budgets under their control.

B.36 To agree any necessary corporate actions to address budget variances.

### **Responsibilities of CMT**

B.37 It is the responsibility of CMT to:

- (a) maintain budgetary control within their Service and to ensure that all income and expenditure are properly recorded and accounted for
- (b) ensure that spending remains within the services overall limit, and that individual budget heads are not overspent, by monitoring the budget and taking appropriate corrective action where significant variations from the approved budget are forecast
- (c) ensure that a monitoring process is in place to review performance levels/levels of service in conjunction with the budget and is operating effectively
- (d) prepare and submit to Financial Services reports on the services projected income and expenditure compared with its budget, including actions to be taken to address the variances
- (e) Alert the Chief Finance Officer of any problems identified.

### **Medium Term Planning**

#### **Why is this important?**

B.38 Medium term planning involves planning the budget over a number of years. As each year passes, another future year will be added to the medium term plan. This ensures that the Council is always preparing for events in advance.

#### **Key Controls**

B.39 The key controls for medium term planning are:

- (a) A plan is produced setting out assumptions on future years expenditure and income levels
- (b) Plan is reported to Members to provide future years outlook when taking decisions

#### **Responsibilities of the Chief Finance Officer**

B.40 To produce a medium term financial plan

B.41 To advise on the medium-term implications of spending decisions.

#### **Responsibilities of SLT and CMT**

B.42 Draw attention to the Chief Finance Officer of any significant changes to the service which will impact upon the service budget estimates or future years budgets.

### **Budget Control – Capital**

B.43 The Chief Finance Officer is responsible for ensuring that a capital programme is prepared on an annual basis for consideration by the decision making committee before submission to the Full Council.

**Why is this important?**

B.44 Capital expenditure involves acquiring or enhancing fixed assets with a long-term value to the Council, such as land, buildings and major items of plant, equipment or vehicles. Capital assets shape the way services are delivered in the long term and create financial commitments for the future in the form of financing costs and revenue running costs.

**Key Controls**

B.45 The key controls for the capital programme are:

- (a) Specific approval by the Full Council for the programme of capital expenditure
- (b) Expenditure on capital schemes is subject to the approval of the Chief Finance Officer
- (c) A scheme and estimate and associated revenue costs are prepared for each scheme
- (d) Schemes are identified individually in the capital programme
- (e) The development and implementation of asset management plans
- (f) Accountability for each scheme is accepted by a named manager
- (g) Regular budget monitoring of progress of capital schemes.

**Responsibilities of the Chief Finance Officer**

B.46 To prepare capital estimates jointly with SLT and CMT and to report them to the decision making committee for approval. The decision making committee will make recommendations on the capital estimates and on any associated financing requirements to the full Council.

B.47 The Chief Finance Officer is also responsible for producing a Capital Strategy that details a medium term capital programme.

B.48 To prepare and submit reports to the decision making committee on the projected income, expenditure and resources compared with the approved estimates.

B.49 To issue guidance concerning capital schemes and controls, for example, on project appraisal techniques. The definition of 'capital' will be determined by the Chief Finance Officer, having regard to government regulations and accounting requirements.

B.50 To obtain authorisation from the decision making committee for individual schemes where the estimated expenditure exceeds the capital programme provision by more than a specified amount.

**Responsibilities of SLT & CMT**

B.51 It is the responsibility of the Service Managers to comply with guidance concerning capital schemes and controls issued by the Chief Finance Officer.

B.52 To ensure that all capital proposals have undergone a project appraisal in accordance with guidance issued by the Chief Finance Officer.

- B.53 To prepare a quarterly return of estimated final costs of schemes in the approved capital programme for submission to the Chief Finance Officer.
- B.54 To ensure that adequate records are maintained for all capital contracts.
- B.55 To proceed with projects only when there is adequate provision in the capital programme and with the agreement of the Chief Finance Officer.
- B.56 To prepare and submit reports, jointly with the Chief Finance Officer, to the decision making committee, of any variation in contract costs greater than the approved limits. The decision making committee may meet cost increases by virement from savings elsewhere within their capital programme.
- B.57 To prepare and submit reports, jointly with the Chief Finance Officer, to the decision making committee, on completion of all contracts where the final expenditure exceeds the approved contract sum by more than the specified amount.
- B.58 To ensure that credit arrangements, such as leasing agreements, are not entered into without the prior approval of the Chief Finance Officer and, if applicable, approval of the scheme through the capital programme.
- B.59 To gain the approval of the Chief Finance Officer and to seek the decision making committee approval where there are proposals to bid for supported borrowing approvals to be issued by government departments to support expenditure that has not been included in the current year's capital programme.

### **Maintenance of Reserves**

- B.60 It is the responsibility of the Chief Finance Officer to advise the decision making committee on prudent levels of reserves using a risk management based approach.

#### **Why is this important?**

- B.61 The decision making committee must decide the level of general reserves it wishes to maintain before Full Council can decide the level of council tax. Reserves are maintained as a matter of prudence. They enable the authority to provide for unexpected events and thereby protect it from overspending, should such events occur. Reserves for specific purposes may also be maintained, such as maintenance of assets.

#### **Key Controls**

- B.62 To maintain reserves in accordance with Proper Practice and agreed accounting policies
- B.63 For each reserve established, the purpose, usage and basis of transactions should be clearly identified.
- B.64 Authorisation and expenditure from reserves by the Chief Finance Officer.

### **Responsibilities of the Chief Finance Officer**

B.65 To advise the decision making committee on prudent levels of reserves for the Council using a risk based approach.

### **Leases**

#### **Why is this important?**

B.66 There are two types of leases, operating and finance leases and there are specific accounting tests to determine what type a lease is. Operating leases result in revenue costs whilst finance leases affect both revenue and capital budgets. There are also specific accounting and disclosure requirements for each type of lease. This has been further enhanced by the introduction of International Financial Reporting Standards. It is important that the terms of each lease are assessed to determine how the lease would be classified before the lease is entered into.

#### **Key Controls**

B.67 No leases entered into without prior approval of Chief Finance Officer

### **Responsibilities of the Chief Finance Officer**

B.68 It is the responsibility of the Chief Finance Officer to consider the classification of a lease and the resulting implications prior to authorising the signing of the lease, in writing.

### **Responsibilities of SLT & CMT**

B.69 To gain the approval of the Chief Finance Officer, in writing, before entering into any lease or hire purchase type arrangement. This applies to leases where the Council is either the lessee or the lessor.

B.70 CMT must ensure that charges arising from such arrangements can be met from the delegated budget for the current and future years.

# Risk Management and Control of Resources

## Financial Regulation C:

### Introduction

- C.1 It is essential that robust, integrated systems are developed and maintained for identifying and evaluating all significant operational risks to the Council. This should include the proactive participation of all those associated with planning and delivering services.

### Risk Management

- C.2 The decision making committee is responsible for approving the Council's risk management strategy and for reviewing the effectiveness of risk management. The decision making committee is responsible for ensuring that proper insurance exists where appropriate.
- C.3 The SLT is responsible for promoting the Council's risk management strategy throughout the Council.

### Why is this important?

- C.4 All organisations, whether public or private sector, face risks to people, property, reputation and continued operations. Risk is the chance or possibility of loss, damage, injury or failure to achieve objectives caused by an unwanted or uncertain action or event. Risk management is the planned and systematic approach to the identification, evaluation and control of risk. It's objectives are to secure the assets of the organisation and to ensure the continued financial and organisational well-being of the organisation. In essence, it is therefore, an integral part of good business practice. Risk management is concerned with evaluating the measures an organisation already has in place to manage identified risks and then recommending the action the organisation needs to take to control these risks effectively.

### Key Controls

- C.5 The key controls for risk management are:
- (a) Procedures are in place to identify, assess, prevent or contain material risks, and these procedures are operating effectively throughout the authority
  - (b) A monitoring process is in place to review regularly the effectiveness of risk reduction strategies and the operation of these controls. The risk management process should be conducted on a continuing basis
  - (c) Managers know that they are responsible for managing relevant risks and are provided with relevant information on risk management initiatives
  - (d) Provision is made for losses that might result from the risks that remain

- (e) Procedures are in place to investigate claims within required timescales
- (f) Acceptable levels of risk are determined and insured against where appropriate
- (g) The Council has identified business continuity plans for implementation in the event of disaster that results in significant loss or damage to its resources

### **Responsibilities of the Chief Finance Officer**

- C.6 To prepare and promote the Councils' risk management Strategy.
- C.7 To develop risk management controls in conjunction with SLT and CMT.
- C.8 To include all appropriate employees of the Council in a suitable fidelity guarantee insurance.
- C.9 To effect corporate insurance cover, through external insurance and to negotiate all claims in consultation with other officers, where necessary.

### **Responsibilities of SLT & CMT**

- C.10 To notify the Chief Finance Officer immediately of any loss, liability or damage that may lead to a claim against the Council, together with any information or explanation required by the Chief Finance Officer or the Council's insurers.
- C.11 To take responsibility for risk management in their areas, having regard to advice from the Chief Finance Officer and other specialist officers (e.g. health and safety).
- C.12 To ensure that there are regular reviews of risk within their service.
- C.13 To notify the Chief Finance Officer promptly of all new risks, properties or vehicles that require insurance and of any alterations affecting existing insurances.
- C.14 To consult the Chief Finance Officer and Legal & Democratic Services Manager on the terms of any indemnity that the authority is requested to give.
- C.15 To ensure that employees or anyone covered by the Council's insurances, do not admit liability or make any offer to pay compensation that may prejudice the assessment of liability in respect of any insurance claim.

### **Internal Control**

- C.16 Internal control refers to the systems of control devised by the management to help ensure the Council's objectives are achieved in a manner that promotes economical, efficient and effective use of resources and that the Council's assets and interests are safeguarded.

### **Why is this important?**

- C.17 The Council is complex and beyond the direct control of individuals. It therefore requires internal controls to manage and monitor progress towards strategic objectives.

- C.18 The Council has statutory obligations, and, therefore, requires internal controls to identify, meet and monitor compliance with these obligations.
- C.19 The Council faces a wide range of financial, administrative and commercial risks, both from internal and external factors, which threaten the achievement of its objectives. Internal controls are necessary to manage these risks.
- C.20 The system of internal controls is established in order to provide measurable achievement of:
- (a) Efficient and effective operations
  - (b) Reliable financial information and reporting
  - (c) Compliance with laws and regulations
  - (d) Risk management.

### **Key Controls**

- C.21 The key controls and control objectives for internal control systems are:
- (a) Key controls should be reviewed on a regular basis and the Council should make a formal statement annually to the effect that it is satisfied that the systems of internal control are operating effectively
  - (b) Managerial control systems, including defining policies, setting objectives and plans, monitoring financial and other performance and taking appropriate anticipatory and remedial actions. The key objective of these systems is to promote ownership of the control environment by defining roles and responsibilities
  - (c) Financial and operational control systems and procedures, which include physical safeguards for assets, segregation of duties, authorisation and approval procedures and information systems
  - (d) An effective internal audit function that is properly resourced. It should operate in accordance with the principles contained in the Auditing Practices Board's auditing guideline 'Guidance for Internal Auditors', CIPFA's Code of Practice for Internal Audit in Local Government in the United Kingdom and with any other statutory obligations and regulations.

### **Responsibilities of the Chief Finance Officer**

- C.22 The Chief Finance Officer is responsible for advising on effective systems of internal control which provide reasonable assurance of effective and efficient operations, financial stewardship, probity and compliance with laws and regulations and other relevant statements of best practice. They should ensure that public funds are properly safeguarded and used economically, efficiently, and in accordance with the statutory and other authorities that govern their use.

### **Responsibilities of SLT & CMT**

- C.23 It is the responsibility of CMT to establish sound arrangements for planning, appraising, authorising and controlling their operations in order



to achieve continuous improvement, economy, efficiency and effectiveness and for achieving their financial performance targets.

- C.24 To manage processes to check that established controls are being adhered to and to evaluate their effectiveness, in order to be confident in the proper use of resources, achievement of objectives and management of risks.
- C.25 To review existing controls in the light of changes affecting the Council and to establish and implement new ones in line with guidance from the Chief Finance Officer. CMT should also be responsible for removing controls that are unnecessary or not cost or risk effective – for example, because of duplication.
- C.26 To ensure staff have a clear understanding of the consequences of lack of control.

## **Audit Requirements**

- C.27 The Accounts and Audit Regulations require every local authority to maintain an adequate and effective internal audit.
- C.28 The Audit Commission is responsible for appointing external auditors to each local authority. The basic duties of the external auditor are governed by section 15 of the Local Government Finance Act 1982, as amended by section 5 of the Audit Commission Act 1998.
- C.29 The authority may, from time to time, be subject to audit, inspection or investigation by external bodies such as HM Revenues and Customs who have statutory rights of access.

## **Internal Audit**

### **Why is this important?**

- C.30 The requirement for an internal audit function for local authorities is implied by section 151 of the Local Government Act 1972, which requires that authorities “make arrangements for the proper administration of their financial affairs”. The Accounts and Audit Regulations specifically require that a “relevant body will maintain an adequate and effective system of internal audit of their accounting records and control systems”.
- C.31 Accordingly, internal audit is an independent and objective appraisal function established by the Council for reviewing the system of internal control. It examines, evaluates and reports on the adequacy of internal control as a contribution to the proper, economic, efficient and effective use of resources.

## **Key Controls**

C.32 The key controls for Internal Audit are:

- (a) That it is independent in its planning and operation
- (b) Internal audit has direct access to the head of paid service, all levels of management and directly to elected members

- (c) The internal auditors comply with the Auditing Practices Board's auditing guideline 'Guidance for Internal Auditors' as interpreted by CIPFA's Code of Practice for Internal Audit in Local Government in the United Kingdom.

### **Responsibilities of the Chief Finance Officer**

C.33 To ensure that internal auditors have the authority to:

- (a) access Council premises at reasonable times
- (b) access all assets, records, documents, correspondence and control systems
- (c) receive any information and explanation considered necessary concerning any matter under consideration
- (d) require any Officer to account for cash, stores or any other Council asset under his or her control
- (e) access records belonging to third parties, such as contractors, when required
- (f) directly access the Chief Executive, Chair of the decision making committee and Chair of Audit/Audit & Governance/Accounts and Audit Committees

C.34 To approve the strategic and annual audit plans prepared by Internal Audit, which take account of the characteristics and relative risks of the activities involved.

C.35 To ensure that effective procedures are in place to investigate promptly any fraud or irregularity.

### **Responsibilities of SLT & CMT**

C.36 To ensure that internal auditors are given access at all reasonable times to premises, personnel, documents and assets that the auditors consider necessary for the purposes of their work.

C.37 To ensure that auditors are provided with any information and explanations that they seek in the course of their work.

C.38 To consider and respond promptly to recommendations in audit reports.

C.39 To ensure that any agreed actions arising from audit recommendations are carried out in a timely and efficient fashion.

C.40 To notify the Chief Finance Officer immediately of any suspected fraud, theft, irregularity, improper use or misappropriation of the Council's property or resources. Pending investigation and reporting, managers should take all necessary steps to prevent further loss and to secure records and documentation against removal or alteration.

C.41 To ensure that new systems for maintaining financial records, or records of assets, or changes to such systems, are discussed with and agreed by internal audit prior to implementation.

## **External Audit**

### **Why is this important?**

- C.42 The external auditor has rights of access to all documents and information necessary for audit purposes.
- C.43 The basic duties of the external auditor are defined in the Audit Commission Act 1998 and the Local Government Act 1999. In particular, section 4 of the 1998 Act requires the Audit Commission to prepare a code of audit practice, which external auditors follow when carrying out their duties. The code of audit practice issued in March 2000 sets out the auditor's objectives to review and report upon:
- (a) the financial aspects of the audited body's corporate governance arrangements
  - (b) the audited body's financial statements
  - (c) aspects of the audited body's arrangements to manage its performance.
- C.44 The Council's accounts are scrutinised by external auditors, who must be satisfied that the statement of accounts presents a true and fair view of the financial position of the Council and its income and expenditure for the year in question and complies with the legal requirements.

### **Key Controls**

- C.45 The Dorset Council's Partnership has opted into arrangements for Public Sector Audit Appointments Limited, an independent company limited by guarantee and incorporated by the Local Government Association, to appoint its external auditors. The National Audit Office will set the standards for public audit, which external auditors follow when carrying out their audits.

### **Responsibilities of the Chief Finance Officer**

- C.46 To ensure that external auditors are given access at all reasonable times to premises, personnel, documents and assets that the external auditors consider necessary for the purposes of their work.
- C.47 To ensure there is effective liaison between external and internal audit.
- C.48 To work with the external auditor and advise the full Council, the decision making committee, Audit/Audit & Governance/Accounts and Audit Committees, SLT and CMT on their responsibilities in relation to external audit.

### **Responsibilities of SLT and CMT**

- C.49 To ensure that external auditors are given access at all reasonable times to premises, personnel, documents and assets that the external auditors consider necessary for the purposes of their work.
- C.50 To ensure that all records and systems are up to date and available for inspection.

## **Preventing Fraud and Corruption**

### **Why is this important?**

- C.51 The Council will not tolerate fraud and corruption in the administration of its responsibilities, whether from inside or outside the council.
- C.52 The Council's expectation of propriety and accountability is that all members and staff at all levels will lead by example in ensuring adherence to legal requirements, rules, procedures and practices.
- C.53 The Council also expects that individuals and organisations (e.g. suppliers, contractors, service providers) with whom it comes into contact will act towards the Council with integrity and without thought or actions involving fraud and corruption.

### **Key Controls**

- C.54 The key controls regarding the prevention of financial irregularities are that:
- (a) The Council has an effective anti-fraud and anti-corruption policy and maintains a culture that will not tolerate fraud and corruption
  - (b) All members and staff act with integrity and lead by example
  - (c) Senior managers are required to deal swiftly and firmly with those who defraud or attempt to defraud the Council, or who are corrupt
  - (d) The maintenance of a register of interests in which any hospitality or gifts accepted must be recorded
  - (e) Whistle blowing procedures are in place and operate effectively
  - (f) Legislation including the Public Interest Disclosure Act 1998 is adhered to.

### **Responsibilities of the Chief Finance Officer**

- C.55 To develop and maintain an anti-fraud and corruption strategy
- C.56 To maintain adequate and effective internal control arrangements
- C.57 To ensure that all suspected irregularities are reported to Internal Audit and Chief Executive.

### **Responsibilities of SLT and CMT**

- C.58 To ensure that all suspected irregularities are reported to Internal Audit.
- C.59 To instigate the Council's disciplinary procedures where the outcome of an audit investigation indicates improper behaviour.
- C.60 To ensure that where financial impropriety is discovered, the Chief Finance Officer is informed, and where sufficient evidence exists to believe that a criminal offence may have been committed, the Police are called in to determine with the Crown Prosecution Service whether any prosecution will take place.

## **Assets**

### **Why is this important?**

C.61 The Council holds assets in the form of property, vehicles, equipment, furniture and other items worth many millions of pounds. It is important that assets are safeguarded and used efficiently in service delivery, and that there are arrangements for the security of both assets and information required for service operations. An up-to-date asset register is a prerequisite for proper fixed asset accounting and sound asset management.

### **Key controls**

C.62 The key controls for the security of resources such as land, buildings, fixed plant and machinery, equipment, software and information are:

- (a) Resources are used only for the purposes of the Council and are properly accounted for
- (b) Resources are available for use when required
- (c) Resources no longer required are disposed of in accordance with the law and the regulations of the Council so as to maximise benefits
- (d) An asset register is maintained for the Council, assets are recorded when they are acquired by the Council and this record is updated as changes occur with respect to the location and condition of the asset
- (e) All staff are aware of their responsibilities with regard to safeguarding the Council's assets and information, including the Data Protection Act and software copyright legislation
- (f) All staff are aware of their responsibilities with regard to safeguarding the security of the Council's computer systems, including maintaining restricted access to the information held on them and compliance with the Council's computer and internet security policies.

### **Responsibilities of the Chief Finance Officer**

C.63 To ensure that an asset register is maintained in accordance with good practice for all fixed assets with a value in excess of £10,000. The function of the asset register is to provide the Council with information about fixed assets so that they are:

- Safeguarded
- Used efficiently and effectively
- Adequately maintained.

C.64 To ensure that assets are valued in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice (CIPFA/LASAAC)

### **Responsibilities of SLT and CMT**

C.65 CMT should ensure that records and assets are properly maintained and securely held. They should also ensure that contingency plans for the security of assets and continuity of service in the event of disaster or system failure are in place.

- C.66 To ensure the proper security of all buildings and other assets under their control.
- C.67 To consult the Chief Finance Officer in any instances where security is thought to be defective or where it is considered that special security arrangements may be needed, or where circumstances suggest the possibility of any irregularity.
- C.68 To ensure that no Council asset is subject to personal use by an employee without proper authority.
- C.69 To ensure cash holdings on premises are kept to a minimum.
- C.70 To ensure that keys to doors, safes and similar receptacles are carried on the person of those responsible at all times; loss of any such keys must be reported to the Chief Finance Officer as soon as possible.
- C.71 To ensure that all employees are aware that they have a personal responsibility with regard to the protection and confidentiality of information, whether held in manual or computerised records. Information may be sensitive or privileged, or may possess some intrinsic value, and its disclosure or loss could result in a cost to the Council in some way.

## **Stocks, Stores, Furniture & Equipment**

### **Responsibilities of CMT**

- C.72 CMT will be responsible for the care and physical control of all stocks, stores furniture, plans and equipment in their custody. Records should be maintained in a form specified by the Chief Finance Officer.
- C.73 All stocks of goods held as stores, or for resale, will be subject to stock check every six months. A certificate of the value held at 31st March each year at current prices will be certified by the Manager and the certificate forwarded to Internal Audit as soon as possible.
- C.74 All discrepancies should be investigated and pursued to a satisfactory conclusion.
- C.75 Correction of deficiencies and surpluses on stocks and stores accounts will be in accordance with the procedures laid down by the Chief Finance Officer, and adjustments exceeding £500 will be reported to Internal Audit.
- C.76 There will be independent control of all receipt forms, cheques, tickets or similar documents and it will be the responsibility of the appropriate Manager to ensure that all such items are serially numbered and controlled in accordance with arrangements agreed with Internal Audit.

## **Buildings, Land & Property**

### **Responsibilities of the Chief Finance Officer**

- C.77 Periodic surveys of the conditions of all properties in which the Council has a proprietary interest will be made. The Chief Finance Officer will ensure that such surveys are carried out and reports prepared.

### **Responsibilities of Specific CMT members**

- C.78 The Head of Infrastructure & Assets will maintain an Asset Management Plan for all land and buildings owned by or leased to the Council.
- C.79 The Head of Infrastructure & Assets will maintain records and systems that ensure that the best use is made of all properties.
- C.80 The Head of Infrastructure & Assets will, in consultation with Legal Services, ensure that all leases are kept up to date and rents due are revised at the appropriate time. The Head of Infrastructure & Assets will advise the Council on alternative uses of land and property as best serves the Council's interests at the time.
- C.81 The Legal Services Corporate Manager will have custody of the title deeds and other agreements under seal or hand of all land owned by the Council (together with all deeds and documents held as security for any monies owed to the Council) and are responsible for their safe-keeping.

## **Treasury Management**

- C.82 The Council has adopted CIPFA's Code of Practice for Treasury Management in Local Authorities.
- C.83 The Full Council is responsible for approving the Treasury Management policy statement setting out the matters detailed in paragraph 15 of CIPFA's Code of Practice for Treasury Management Committee in Local Authorities. The Policy Statement is proposed to the Full Council by the decision making committee. The Chief Finance Officer has delegated responsibility for implementing and monitoring the statement.
- C.84 All money in the hands of the authority is controlled by the officer designated for the purposes of section 151 of the Local Government Act 1972, referred to in the code as the Chief Finance Officer.
- C.85 The Chief Finance Officer is responsible for reporting to the decision making committee a proposed Treasury Management strategy for the coming financial year at or before the start of each financial year. The decision making committee will receive regular updates on Treasury Management activities.
- C.86 All management decisions on borrowing, investment or financing will be delegated to the Chief Finance Officer, who is required to act in accordance with CIPFA's Code of Practice for Treasury Management Committee in Local Authorities.
- C.87 Because of the impact upon the finances of the Council and with the Chief Finance Officer having significant delegated authority, the Council will have undertake regular Treasury Management updates and training open to all Councillors. The Chief Finance Officer is responsible for reporting to the decision making committee not less than twice in each financial year on the activities of the Treasury Management operation and on the exercise of his or her delegated Treasury Management powers. One such report will comprise an annual report on Treasury Management for presentation by 30 September of the succeeding financial year.

### **Why is this important?**

C.88 Many millions of pounds pass through the Council's books each year. This led to the establishment of codes of practice. These aim to provide assurance that the Council's money is properly managed in a way that balances risk and return, but with the overriding consideration being given to the security of the Council's capital sum.

### **Key Controls**

C.89 That the Council's borrowings and investments comply with the CIPFA Code of Practice on Treasury Management and with the Council's policy statement.

C.90 Full Council approve the Treasury Management Strategy Statement setting limits on treasury management activities.

### **Responsibilities of the Chief Finance Officer**

C.91 To arrange the borrowing and investments of the Council in such a manner as to comply with the CIPFA Code of Practice on Treasury Management and the Council's treasury management policy statement and strategy.

C.92 To report at least twice a year on treasury management activities to the decision making committee and at least twice a year to the member Treasury Management update days.

C.93 To ensure all investments of money are made in the name of the Council or in the name of nominees approved by the Full Council

### **Responsibilities of SLT and CMT**

C.94 To ensure that loans are not made to third parties and that interests are not acquired in companies, joint ventures or other enterprises without the approval of Full Council, following consultation with the Chief Finance Officer.

## **Banking Arrangements**

### **Responsibilities of the Chief Finance Officer**

C.95 All arrangements with the Council's bankers concerning the Council's bank accounts and the issue and deposit of cheques will be made through the Chief Finance Officer.

C.96 The Chief Finance Officer will be authorised to operate such subsidiary bank accounts as they deem necessary. All amendments/changes to these arrangements will be reported to the Chief Executive.

C.97 Any overdraft on the Council's bank accounts will be kept within the set limits. Bank accounts will be reconciled at intervals no longer than one month.

C.98 All agreements with Banking Organisations regarding Direct Debits will be approved by the Chief Finance Officer.



C.99 All cheques and direct debit mandates drawn on the bank accounts of the Council will:

- Be signed only by the Chief Finance Officer or other officer authorised by the Chief Executive to sign on behalf of the Chief Finance Officer.
- Bear the name of the Chief Finance Officer as produced by the Council's computers where this has been specifically agreed by the Chief Finance Officer.

C.100 The Chief Finance Officer will arrange for such safeguards as are deemed necessary and practicable, including the separation of duties, so that as far as possible the following procedures are the responsibility of separate officers:

- The checking of creditors' accounts
- The control of cheques
- The preparation of cheques
- The signature of cheques
- The entry of the cash amount
- The authorisation of BACS and CHAPS payments
- The reconciliation of bank balances

C.101 The Chief Finance Officer will issue Cash Handling and Banking procedures.

C.102 The list of outstanding cheques will be examined at least monthly by Financial Services and reasons sought for cheques which have not been cashed. Cheques, which have not been cashed six months after the date of issue, will be cancelled.

### **Responsibilities of CMT**

C.103 CMT is responsible for ensuring the control, monitoring and regular banking of daily receipts arising from cash collection points under their control. The Chief Finance Officer will provide detailed procedure notes, which will be adhered to at all times.

C.104 All monies received on behalf of the Council will, without delay, be banked in the Council's name in accordance with the instructions of the Chief Finance Officer.

C.105 There will be separation of duties between receiving and paying out monies. Officers who collect cash will not be involved in the maintenance of financial records in respect of that cash. This requirement can only be excepted on the written approval, in advance, of the Chief Finance Officer.

C.106 Post that may contain income will be subject to control by not less than 2 persons from the point of delivery through to the receipt of a signature at the cash desk. The Chief Finance Officer will issue detailed written instructions for handling postal income and these instructions will be adhered to at all times.

## Staffing

### Why is this important?

C.107 In order to provide the highest level of service, it is crucial that the Council recruits and retains high calibre, knowledgeable staff, qualified to an appropriate level.

### Key Controls

C.108 The key controls for staffing are:

- (a) An appropriate staffing strategy and policy exists, in which staffing requirements and budget allocation are matched
- (b) Procedures are in place for forecasting staffing requirements and cost
- (c) Controls are implemented that ensure staff time is used efficiently and to the benefit of the Council
- (d) Checks are undertaken prior to employing new staff to ensure that they are appropriately qualified, experienced and trustworthy.

### Responsibilities of the Chief Finance Officer

C.109 To ensure that budget provision exists for all existing and new employees

C.110 To act as an advisor to managers on areas such as National Insurance and pension contributions, as appropriate.

### Responsibilities of CMT

C.111 CMT are responsible for controlling total staffing numbers by:

- advising the decision making committee on the budget necessary in any given year to cover estimated staffing levels
- adjusting the staffing to a level that can be funded within approved budget provision, varying the provision as necessary within that constraint in order to meet changing operational needs
- the proper use of appointment procedures.

C.112 To ensure that the staffing budget is an accurate forecast of staffing levels and is equated to an appropriate revenue budget provision.

C.113 To monitor staff activity to ensure adequate control over such costs as sickness, overtime, training and temporary staff.

C.114 To ensure that the staffing budget is not exceeded without due authority and that it is managed to enable the agreed level of service to be provided.

C.115 To ensure that the Chief Finance Officer is informed if the staffing budget is likely to be materially over or underspent.

## **Insurance**

### **Why is this important?**

C.116 The Council's assets, both physical, financial and staffing need to be adequately protected against risks through insurance.

### **Key Controls**

C.117 Insurance cover is arranged and controlled centrally to ensure consistent and adequate cover is maintained.

### **Responsibilities of the Chief Finance Officer**

C.118 The Chief Finance Officer will make arrangements for approved insurance cover, maintaining adequate records and negotiating claims with the Council's insurers.

C.119 The Chief Finance Officer will, with the co-operation of other managers, review insurance cover annually.

C.120 The Chief Finance Officer will keep CMT notified as to the nature and extent of the various risks that are covered or left exposed.

### **Responsibilities of CMT**

C.121 CMT will advise the Insurance Officer of the extent and nature of all new risks where insurance may not exist or may be inadequate.

C.122 CMT will notify immediately the Insurance Officer, in writing, of any loss, liability or damage or any event likely to lead to a claim in connection with their area of responsibility.

C.123 CMT will be responsible for ensuring proper maintenance of inventories of furniture, equipment and the means for prompt and efficient identification of each item for the purposes of insurance claims or claims under suppliers' guarantees.

## **Write off of Bad Debts**

### **Why is this important?**

C.124 All income due to the Council from all sources such as the sundry debtors system, penalty charge notices, council tax & NNDR, is important but there will be circumstances where it is not possible to collect monies due and debts need to be written off. It is important that this is a last resort after all appropriate recovery has been undertaken.

### **Key Controls**

C.125 Write offs dealt with centrally to ensure a consistent approach.

### **Responsibilities of Specified Officers**

C.126 The approval of the Responsible Financial Officer to write off debts over £10,000 must be obtained. The following officers have been authorised to write off debts:

- Head of Financial Services – to write off debts up to £10,000
- Head of Revenues & Benefits – to write off relevant debts up to £1,000 for areas under his/her management.

- Head of Assets & Infrastructure – to write off debts up to £100 in relations to the operation of Car Parking

### **Responsibilities of CMT**

- C.127 To ensure the Chief Finance Officer is notified of all debts to be considered for write off.
- C.128 To notify the Chief Finance Officer of any additional information which may lead to the recovery of amounts due, even after the debt has been written off, for example a forwarding address.

### **Breaches of Financial Regulations**

- C.129 Where a failure to comply with these regulations is identified the matter should be brought to the immediate attention of the Chief Finance Officer.
- C.130 The Chief Finance Officer will report to the Chief Executive for minor breaches and to the decision making committee where the Chief Finance Officer considers the matter to be more serious.
- C.131 Consequences of a breach of these regulations could include disciplinary action, removal of budgetary delegations or responsibilities.

# Systems and Procedures

## Financial Regulation D:

### Introduction

- D.1 Sound systems and procedures are essential to an effective framework of accountability and control.

### General

#### Why is this important?

- D.2 Services have many systems and procedures relating to the control of the Council's assets, including purchasing, costing and management systems. Services are increasingly reliant on computers for their financial management information. The information must therefore be accurate and the systems and procedures sound and well administered. They should contain controls to ensure that transactions are properly processed and errors detected promptly.
- D.3 The Chief Finance Officer has a professional responsibility to ensure that the Council's financial systems are sound and should therefore be notified of any new developments or changes.

### Key Controls

- D.4 The key controls for systems and procedures are:
- (a) Basic data exists to enable the Council's objectives, targets, budgets and plans to be formulated
  - (b) Performance is communicated to the appropriate managers on an accurate, complete and timely basis
  - (c) Early warning is provided of deviations from target, plans and budgets that require management attention
  - (d) Operating systems and procedures are secure.

### Responsibilities of the Chief Finance Officer

- D.5 To make arrangements for the proper administration of the Council's financial affairs including to:
- (a) Issue advice, guidance and procedures for officers and others acting on the Council's behalf
  - (b) Determine the accounting systems, form of accounts and supporting financial records
  - (c) Establish arrangements for audit of the Council's financial affairs
  - (d) Approve any new financial systems to be introduced
  - (e) Approve any changes to be made to existing systems.
- D.6 Any changes made by CMT to the existing financial systems or the establishment of new systems must be approved by the Chief Finance

Officer. However, CMT are responsible for the proper operation of financial processes in their own services.

### **Responsibilities of CMT**

- D.7 To ensure that accounting records are properly maintained and held securely.
- D.8 To ensure that invoices and documents with financial implications are not destroyed, except with arrangements approved by the Chief Finance Officer.
- D.9 To ensure that a complete management trail, allowing transactions to be traced from the accounting records to the original document, and vice versa, is maintained.
- D.10 To incorporate appropriate controls to ensure that, where relevant:
  - (a) All input is genuine, complete, accurate, timely and not previously processed
  - (b) All processing is carried out in an accurate, complete and timely manner
  - (c) Output from the system is complete, accurate and timely.
- D.11 To ensure that the organisation structure of their service provides an appropriate segregation of duties to provide adequate internal controls and to minimise the risk of fraud or other malpractice.
- D.12 To ensure there is a documented and tested disaster recovery plan to allow information system processing to resume quickly in the event of an interruption.
- D.13 To ensure that systems are documented and staff trained in operations.
- D.14 To consult with the Chief Finance Officer before changing any existing system or introducing new systems.
- D.15 To supply a list of authorised officers, with specimen signatures and delegated limits, to the Chief Finance Officer, together with any subsequent variations.
- D.16 Any changes to agreed procedures by CMT to meet their own specific service needs should be agreed with the Chief Finance Officer.
- D.17 CMT should ensure that their Officers receive relevant financial training that has been approved by the Chief Finance Officer.
- D.18 To ensure that effective contingency arrangements, including back-up procedures, exist for computer systems. Wherever possible, back-up information should be securely retained in a fireproof location, preferably off site or at an alternative location within the building.
- D.19 To ensure that, where appropriate, computer and other systems are registered in accordance with data protection legislation. CMT must ensure that staff are aware of their responsibilities under freedom of information legislation.
- D.20 To ensure that relevant standards and guidelines for computer systems issued by the Chief Finance Officer are observed.

- D.21 To ensure that computer equipment and software are protected from loss and damage through theft, vandalism etc.
- D.22 To comply with the copyright, design and patents legislation and, in particular, to ensure that:
- (a) Only software legally acquired and installed by the Council is used on it's computers
  - (b) Staff are aware of legislative provisions
  - (c) In developing systems, due regard is given to the issue of intellectual property rights.

## **Income and expenditure**

D.23 It is the responsibility of CMT to ensure that a proper scheme of delegation has been established within their area and is operating effectively. The scheme of delegation should identify staff authorised to act on their behalf, or on behalf of the decision making committee, in respect of payments, income collection and placing orders, together with the limits of their authority. The decision making committee is responsible for approving procedures for writing off debts as part of the overall control framework of accountability and control.

### **Income**

#### **Why is this important?**

D.24 Income can be a vulnerable asset and effective income collection systems are necessary to ensure that all income due is identified, collected, receipted and banked properly. It is preferable to obtain income in advance of supplying goods or services as this improves the Council's cashflow and also avoids the time and cost of administering debts.

#### **Key Controls**

- D.25 The key controls for income are:
- (a) All income due to the Council is identified and charged correctly, in accordance with approved charges
  - (b) All income is collected from the correct person, at the right time, using the correct procedures
  - (c) All money received by an employee on behalf of the Council is banked without delay. The responsibility for cash collection should be separated from that:
    - For identifying the amount due
    - For reconciling the amount due to the amount received
  - (d) Effective action is taken to pursue non-payment within defined timescales
  - (e) Formal approval for debt write off is obtained
  - (f) Appropriate write off action is taken within defined timescales

- (g) Appropriate accounting adjustments are made following write off action
- (h) All appropriate income documents are retained and stored for the required time period
- (i) Money collected and deposited is reconciled to the bank account by a person who is not involved in the collection or banking process.

#### **Responsibilities of the Chief Finance Officer**

- D.26 To agree arrangements for the collection of all income due to the Council and to approve the procedures, systems and documentations for its collection.
- D.27 To establish and initiate appropriate recovery procedures, including legal action where necessary, for debts that are not paid promptly.
- D.28 To agree the write off of bad debts over £10,000 in each case.
- D.29 To ensure that appropriate accounting adjustments are made following write off action.

#### **Responsibilities of CMT**

- D.30 To separate the responsibility for identifying amounts due and the responsibility for collection as far as is practicable
- D.31 To ensure that at least two employees are present when post is opened so that money received by post is properly identified and recorded
- D.32 To hold receipts, tickets and other records of income for the appropriate period.
- D.33 To lock away all income to safeguard against loss or theft, and to ensure the security of cash handling.
- D.34 To ensure that income is paid fully and promptly into the appropriate bank account in the form in which it is received. Appropriate details should be recorded on to paying in slips to provide an audit trail.
- D.35 To ensure income is not used to cash personal cheques and other payments.
- D.36 To provide Financial Services with all necessary information in order to assist in collecting debts that the service have originated, including any further information requested by the debtor, and in pursuing the matter on the Council's behalf.
- D.37 To recommend to the Chief Finance Officer all debts to be written off. Once raised, no bona fide debt may be cancelled, except by full payment or by its formal writing off. A credit note to replace a debt can only be issued to correct a factual inaccuracy or administrative error in the calculation and / or billing of the original debt.
- D.38 To notify the Chief Finance Officer of outstanding income relating to the previous financial year, as soon as possible after 31 March, in line with the timetable determined by Financial services.



## Ordering and paying for work, goods and services

### Why is this important?

D.39 Public money should be spent with demonstrable probity and in accordance with the Council's policies. Authorities have a statutory duty to achieve best value in part through economy and efficiency. The Council's procedures should help to ensure that services obtain value for money from their purchasing arrangements. This section should be read in conjunction with the Contract Procedural Rules (Section F).

### General

D.40 Every officer and member has a responsibility to declare any links or personal interests that they may have with purchasers, suppliers and / or contractors if they are engaged in contractual or purchasing decisions on behalf of the Council, in accordance with appropriate codes of conduct.

D.41 Official orders must be raised on the Purchase Ordering and Commitments System. Official orders must be raised for all work, goods or services to be supplied to the Council except for petty cash purchases, refunds or other exceptions specified by the Chief Finance Officer.

D.42 Standard terms and conditions must not be varied without the prior approval of the Chief Finance Officer.

D.43 The default method of payment by the Council will be by BACS. The use of direct debit will only be in exceptional circumstances and must be signed by the Chief Finance Officer.

D.44 Official orders must not be raised for any personal or private purchase, nor must personal or private use be made of Council contracts.

### Key Controls

D.45 The key controls for ordering and paying for goods, works and services are:

- (a) All goods and services are ordered only by appropriate persons and are correctly recorded
- (b) All goods and services shall be ordered in accordance with the Contract Procedural Rules
- (c) Goods and services received are checked to ensure they are in accordance with the order
- (d) Payments are not made unless goods have been received by the Council to the correct price, quantity and quality standards
- (e) All payments are made to the correct person, for the correct amount and are properly recorded, regardless of the payment method
- (f) All appropriate evidence of the transaction and payment documents are retained and stored for the required period
- (g) All expenditure, including VAT, is accurately recorded against the right budget and any exceptions are corrected.

### **Responsibilities of the Chief Finance Officer**

- D.46 To ensure that all the Council's financial systems and procedures are sound and properly administered.
- D.47 To approve any changes to existing financial systems and to approve any new systems before they are introduced.
- D.48 To approve the form of official orders and associated terms and conditions.
- D.49 To make payments from the Council's funds on CMT's authorisation that the expenditure has been duly incurred in accordance with financial regulations.
- D.50 To make payments, whether or not there is a budget, where the payment is specifically required by statute or is made under a court order.
- D.51 To make payments to contractors on the certificate of the appropriate CMT member, which must include details of the value of the work, retention money, amounts previously certified and amounts now certified.

### **Responsibilities of CMT**

- D.52 To ensure that orders are raised on the Purchase Ordering and Commitments system for all goods and services, usually before the commitment is entered into, other than the exceptions specified in D.41.
- D.53 To ensure that orders are only used for goods and services provided to the service. Individuals must not use official orders to obtain goods or services for their private use.
- D.54 To ensure that the Procurement Officer is consulted on all procurements over £10,000.
- D.55 To ensure the authorised signatory list held by Financial Services is up to date, including specimen signatures identifying in each case the limits of their authority for both ordering and / or authorisation of invoices. The authoriser of the order should be satisfied that the goods and services ordered are appropriate and needed, that there is adequate budgetary provision and that quotations or tenders have been obtained if required. Value for money should always be achieved.
- D.56 To ensure that goods are checked on receipt to verify that they are in accordance with the order.
- D.57 To ensure that payment is not made unless a proper VAT invoice has been received, checked, and certified for payment, confirming:
  - (a) Receipt of goods or services
  - (b) That the invoice had not previously been paid
  - (c) The expenditure has been properly incurred and is within budget provision
  - (d) The prices and arithmetic are correct and accord with quotations, tenders, contracts or catalogue prices
  - (e) Correct accounting treatment of tax

- (f) That the invoice is correctly coded
  - (g) That discounts have been taken where available
  - (h) That appropriate entries will be made in accounting records.
- D.58 To ensure that two authorised members of staff are involved in the ordering, receiving and payment process. A different officer from the person checking the invoice should authorise the invoice.
- D.59 To ensure that payments are not made on a photocopied or faxed invoice, statement or other document other than a formal invoice. Where the original invoice has been lost, a faxed copy will be accepted only where it has been certified that it is a true copy that has not previously been passed for payment.
- D.60 To ensure that the Service obtains best value from purchases and comply with the Contract Procedural Rules.
- D.61 To ensure that employees are aware of the Code of Conduct
- D.62 To ensure that loans, lease agreements or rental agreements are not entered into without prior agreement of the Chief Finance Officer
- D.63 To notify the Chief Finance Officer of outstanding expenditure relating to the previous financial year as soon as possible after 31 March, in line with the timetable determined by Financial services.
- D.64 To notify the Chief Finance Officer immediately of any expenditure to be incurred as a result of statute / court order where there is no budgetary provision.

## **Payments to employees and members**

### **Why is this important?**

- D.65 Staff costs are the largest item of expenditure for most Council services. It is therefore important that payments are accurate, timely, made only where they are due for services to the Council and that payments accord with the individuals' conditions of employment. It is also important that all payments are accurately and completely recorded and accounted for and that members allowances are authorised in accordance with the scheme adopted by Full Council.

### **Key Controls**

- D.66 The key controls for payments to employees and members are:

- (a) Proper authorisation procedures are in place and that there is adherence to corporate timetables in relation to:
  - Starters
  - Leavers
  - Variations
  - Enhancements

and that payments are made on the basis of contracts, timesheets or claims

- (b) Frequent reconciliation of payroll expenditure against approved budget
- (c) All appropriate payroll documentation are retained and stored for the required period
- (d) That HMRC regulations are complied with.

### **Responsibilities of the Chief Finance Officer**

- D.67 To arrange and control secure and reliable payment of salaries, wages, or other emoluments to existing and former employees, in accordance with procedures prescribed by them, on the due date.
- D.68 To record and make arrangements for the accurate and timely payment of tax, superannuation and other deductions.
- D.69 To make arrangements for payment of all travel and subsistence claims.
- D.70 To make arrangements for paying members travel or other allowances upon receiving the prescribed form, duly completed and authorised.

### **Responsibilities of CMT**

- D.71 To ensure appointments are made in accordance with Human Resources Policies and Procedures and that adequate budget provision is available.
- D.72 To notify the Human Resources Corporate Manager of all appointments, terminations or variations which may affect the pay or pension of an employee or former employee.
- D.73 To ensure that adequate and effective systems and procedures are operated, so that:
  - Payments are only authorised to bona fide employees
  - Payments are only made where there is valid entitlement
  - Conditions and contracts of employment are correctly applied.
  - Employees names listed on the payroll are checked at regular intervals to verify completeness and accuracy.
- D.74 To ensure the authorised signatory list held by Financial Services is updated for staff changes, listing who is authorised to sign timesheets, claim forms etc.
- D.75 To ensure that payroll transactions are processed only through the payroll system. CMT should give careful consideration to the employment status of individuals providing services on a self-employment or subcontract basis. HMRC applies a tight definition for employee status, and in case of doubt, advice should be sought from Financial Services.
- D.76 To certify travel and subsistence claims and other allowances. Certification is taken to mean that journeys were authorised and expenses properly and necessarily incurred, and that allowances are properly payable by the authority, ensuring that cost effective use of travel arrangements is achieved. Claims should be supported by itemised receipts and should not include reimbursement for alcohol.

- D.77 To ensure that the Chief Finance Officer is notified of any employee benefit in kind, to enable full and complete reporting within the income tax self-assessment system.
- D.78 To ensure that all appropriate payroll documentation is retained for the required period.

## **Taxation**

- D.79 The Chief Finance Officer is responsible for advising SLT and CMT, in the light of guidance issued by appropriate bodies and relevant legislation as it applies, on all taxation issues that affect the Council.
- D.80 The Chief Finance Officer is responsible for maintaining the Council's tax records, making all tax payments, receiving tax credits and submitting tax returns by their due date as appropriate.

### **Why is this important?**

- D.81 Like all organisations, the Council is responsible for ensuring its tax affairs are in order. Tax issues are often very complex and the penalties for incorrect accounting for tax are severe. It is therefore very important for all officers to be aware of their role.

### **Key controls**

- D.82 The key controls for taxation are:
- (a) Budget managers are instructed on required record keeping
  - (b) All taxable transactions are identified, properly carried out and accounted for within stipulated timescales
  - (c) Records are maintained in accordance with instructions
  - (d) Returns are made to the appropriate authorities within the stipulated timescale.

### **Responsibilities of the Chief Finance Officer**

- D.83 To complete all HMRC returns regarding Pay As You Earn (PAYE).
- D.84 To complete a monthly VAT return to HMRC.
- D.85 To provide details to HMRC regarding the Construction Industry tax scheme (CIS).
- D.86 To maintain up to date guidance for Council employees on taxation issues.

### **Responsibilities of CMT**

- D.87 To ensure that the correct VAT liability is attached to all income due and that all VAT recoverable on purchases complies with HMRC regulations.
- D.88 To ensure that, where construction and maintenance works are undertaken, the contractor fulfils the necessary CIS requirements.
- D.89 To ensure that all persons employed by the Council are added to the Council's payroll and tax deducted from any payments, except where the

individuals are bona fide self-employed or are employed by a recognised staff agency.

D.90 To follow the guidance on taxation issued by the Chief Finance Officer.

## **Trading accounts**

### **Why is this important?**

D.91 Trading accounts have become more important as local authorities have developed a more commercial culture. Councils are required to keep trading accounts for services provided on a basis other than straightforward recharge of cost.

### **Responsibilities of the Chief Finance Officer**

D.92 To advise on the establishment and operation of trading accounts.

### **Responsibilities of CMT**

D.93 To ensure that the same accounting principles are applied in relation to trading accounts as for other services.

# External Arrangements

## Financial Regulation E:

### Introduction

E.1 The Council provides a distinctive leadership role for the community and brings together the contributions of the various stakeholders. It must also act to achieve the promotion or improvement of the economic, social or environmental well-being of its area.

### Partnerships

#### Why is this important?

E.2 Partnerships are likely to play a key role in delivering community strategies and in helping to promote and improve the well-being of the area. Local authorities are working in partnership with others – public agencies, private companies, community groups and voluntary organisations. Local authorities still deliver services but their distinctive leadership role is to bring together the contributions of the various stakeholders. They therefore need to deliver a shared vision of services based on user wishes.

E.3 Local authorities will mobilise investment, bid for funds, champion the needs of their areas and harness the energies of local people and community organisations. Local authorities will be measured by what they achieve in partnership with others.

#### General

E.4 The main reasons for entering into a partnership are:

- (a) The desire to find new ways to share risk
- (b) The ability to access new resources
- (c) To provide new and better ways of delivering services
- (d) To forge new relationships.

E.5 A partner is defined as either:

- (a) An organisation (private or public) undertaking, part funding or participating as a beneficiary in a project

or

- (b) A body whose nature or status gives it a right or obligation to support the project.

E.6 Partners participate in projects by:

- (a) Acting as a project deliverer or sponsor, solely or in concert with others
- (b) Acting as a project funder or part funder
- (c) Being the beneficiary group of the activity undertaken in a project.

E.7 Partners have common responsibilities:

- (a) To be willing to take in a role in the broader programme appropriate to the skills and resources of the partner organisation
- (b) To act in good faith at all times and in the best interests of the partnerships aims and objectives
- (c) Be open about any conflict of interests that might arise
- (d) To encourage joint working and promote the sharing of information, resources and skills between public, private and community sectors
- (e) To hold confidentially any information received as a result of partnership activities or duties that is of confidential or commercially sensitive nature
- (f) To act wherever possible as ambassadors for the project.

### **Key controls**

E.8 The key controls for authority partners are:

- (a) If appropriate, to be aware of their responsibilities under the Council's financial regulations and contract procedural rules
- (b) To ensure that risk management processes are in place to identify and assess all known risks
- (c) To ensure that project appraisal processes are in place to assess the viability of the project in terms of resources, staffing and expertise
- (d) To agree and accept formally the roles and responsibilities of each of the partners involved in the project before the project commences
- (e) To communicate regularly with other partners throughout the project so that problems can be identified and shared to achieve their successful resolution.

### **Responsibilities of the Chief Finance Officer**

E.9 To advise on effective controls that will ensure that resources are not wasted.

E.10 To advise on the key elements of funding a project. They include:

- (a) A scheme appraisal for financial viability in both the current and future years
- (b) Risk appraisal and management
- (c) Resourcing, including taxation issues
- (d) Audit, security and control requirements
- (e) Carry-forward arrangements

E.11 To ensure that the accounting arrangements are satisfactory.

### **Responsibilities of SLT and CMT**

E.12 To maintain a register of all contracts entered into with external bodies in accordance with procedures specified by the Chief Finance Officer.



- E.13 To ensure that, before entering into agreements with external bodies, a risk management appraisal has been prepared for the Chief Finance Officer.
- E.14 To ensure that such agreements and arrangements do not impact adversely upon the services provided by the Council.
- E.15 To ensure that all agreements and arrangements are properly documented.
- E.16 To provide appropriate information to the Chief Finance Officer to enable a note to be entered into the Council's statement of accounts concerning material items.
- E.17 SLT and CMT are responsible for ensuring that appropriate approvals are obtained before any negotiations are concluded in relation to work with external bodies.
- E.18 The Monitoring Officer is responsible for promoting and maintaining the same high standards of conduct with regard to financial administration in partnerships that apply throughout the Council.

#### **Responsibilities of the decision making committee**

- E.19 The decision making committee is responsible for approving delegations, including frameworks for partnerships. The decision making committee is the focus for forming partnerships with other local public, private, voluntary and community sector organisations to address local needs.
- E.20 The decision making committee can delegate functions – including those relating to partnerships – to Officers. These are set out in the scheme of delegation that forms part of the Council's Constitution. Where functions are delegated, the decision making committee remains accountable for them to the full Council.

### **External Funding**

#### **Why is this important?**

- E.21 External funding is potentially a very important source of income, but funding conditions need to be carefully considered to ensure that they are compatible with the aims and objectives of the Council. Local authorities are increasingly encouraged to provide seamless service delivery through working closely with other agencies and private sector providers. Funds from external agencies provide additional resources to enable the Council to deliver services to the local community. However, in some instances, although the scope for external funding has increased, such funding is linked to tight specifications and may not be flexible enough to link to the Council's overall plan.

#### **Key controls**

- E.22 The key controls for external funding are:
  - (a) To ensure that key conditions of funding and any statutory requirements are complied with and that the responsibilities of the accountable body are clearly understood

- (b) To ensure that funds are acquired only to meet the priorities approved in the policy framework by the Full Council
- (c) To ensure that any match funding requirements are given due consideration prior to entering into long-term agreements and that future revenue budgets reflect those requirements.

### **Responsibilities of the Chief Finance Officer**

- E.23 To authorise all applications and claims for external funding.
- E.24 To ensure that all funding notified by external bodies is received and properly recorded in the Council's accounts.
- E.25 To ensure that the match funding requirements are considered prior to entering into the agreements and that future revenue budgets reflect these requirements.
- E.26 To ensure that audit requirements are met.

### **Responsibilities of CMT**

- E.27 To ensure that all applications and claims are authorised by the Chief Finance Officer.
- E.28 To ensure that all claims for funds are made by the due date.
- E.29 To ensure that the project progresses in accordance with the agreed approach and that all expenditure is properly incurred and recorded.
- E.30 To report to Members as required
- E.31 To maintain adequate supporting documentation to enable claims for funding to be maximised.

## **Accountable Body**

### **Why is this important?**

- E.32 Local authorities are increasingly encouraged to provide seamless service delivery through working closely with other agencies and private sector providers. If the Council acts as accountable body for a project it needs to demonstrate the same high level of stewardship over the management of these funds .

### **Key controls**

- E.33 The key controls for accountable bodies are:
  - (a) All responsibilities as an accountable body must be approved by the Chief Finance Officer
  - (b) All financial regulations will apply as if it were the Council's own funds, unless expressly agreed by the Chief Finance Officer.

### **Responsibilities of the Chief Finance Officer**

- E.34 To approve all applications for the Council to act as Accountable Body
- E.35 To approve any non application of Financial Regulations in relation to the Accountable Body

### **Responsibilities of CMT**

E.36 To ensure all Financial Regulations are enforced in relation to the Accountable Body funds.

## **Contract Procedural Rules**

### **Financial Regulation F:**

#### **Definitions**

- F.1 “Procurement Guidance” means any internal guidance that is produced by the Partnership’s Procurement Team for the purposes of assisting Officers in relation to these Rules. For the avoidance of doubt provisions within the Council’s Procurement Guidance are intended to be for information only and no part(s) within it are intended to contain binding provisions unless a provision of the Rules expressly provides otherwise.
- F.2 “Section 151 Officer” means the Officer appointed by the Council for the purposes of section 151 Local Government Act 1972 and if unavailable or absent includes any deputy appointed by that Officer.
- F.3 “Procurement Team Leader” means any Officer who is employed within the Partnership to hold the post of Procurement Team Leader and if unavailable or absent includes any deputy appointed by that Officer.
- F.4 “Procurement Team” includes the Procurement Officer and any Officers under the management of the Procurement Officer.
- F.5 “Partnership” refers to the Dorset Councils Partnership of North Dorset District Council, West Dorset District Council and Weymouth & Portland Borough Council.
- F.6 “Rules” mean these Contract Procedure Rules.
- F.7 “Strategic Director” includes any member of the Senior Leadership Team.

#### **Introduction**

- F.8 The Contract Procedural Rules set out the Rules that must be followed when the Council purchases supplies, services or works. The Rules are not intended as a substitute for further appropriate detailed legal or other professional advice.
- F.9 Government and EU public procurement policy require that the Council must permit, and be seen to be permitting, freedom of opportunity to trade with the Council and to be open and transparent about how we do things.
- F.10 The most important principles are transparency, openness and fair competition.

- F.11 If the Council fails in its relevant procurement duties, a supplier or contractor may have cause for a complaint against us, may be able to claim compensation and the contract may be cancelled.
- F.12 The Rules should be read alongside any Procurement Guidance which may be issued, amended or revoked at any time by the partnership's Procurement Team.
  
- F.13 The Section 151 Officer is responsible for keeping the Rules under review and monitoring compliance.

## Scope

- F.14 The Rules apply to any contract that results in a payment being made by the Council as well as to some types of contracts where a service is being provided for the Council which results in some income being generated for the Council (known as concessions).
- F.15 The Rules also apply to the disposal of surplus goods.
- F.16 The Rules do not cover grants which the Council may receive or make (unless the grant is part of a contract for services). However, it will cover how we spend grant funding unless those supplying the grant specify otherwise.
- F.17 The Rules do not apply to the purchasing of property.
- F.18 If you are in any doubt whether the Rules do apply, you should check with the Procurement Team.

## Exemption from the Rules

- F.19 An exemption **cannot** be given for a contract where the total value exceeds the relevant EU threshold.
- F.20 Exemptions from the competitive requirements of these Rules for procurements below the relevant EU threshold should usually be requested in advance of the procurement process in accordance with the following procedure.
- F.21 An exemption must be agreed by the Section 151 Officer.
- F.22 The Section 151 Officer may agree to an exemption if s/he is satisfied, after considering a Contract Exemption Form that has been approved by the Procurement Team Leader, that the exemption is justified on at least one of the following grounds:
  - (a) the nature of the market for the works to be carried out or the goods or services to be provided has been investigated and is demonstrated to be such that a departure from the requirements of the Rules is justifiable, because the contract can only be performed, or best value is likely to be achieved, by approaching one contractor or consultant;
  - (b) the contract is for works, supplies or services that are required in circumstances of reasonably unforeseeable urgency;

- (c) that the works, goods or services to be supplied would involve greater cost, risk and/or potentially significant additional work to the Council:
- (i) in trying to harmonise differing systems, designs, solutions, machinery or plant; and/or
  - (ii) having regard to existing knowledge and/or experience that a particular contractor or consultant has of existing function(s) of the Council;

than would be the case if the contract were awarded by approaching just one, or a specific, contractor or consultant;

- (d) where a change of supplier would cause:
- (i) disproportionate technical difficulties; or
  - (ii) diseconomies; or
  - (iii) significant disruption to the delivery of council services,

F.23 then a contract can be extended for up to 12 months. A record of the decision approving an exemption and the reasons for it should be kept with the Contract Strategy.

F.24 Any exemptions granted for more than one year must be reviewed annually and either reconfirmed, amended or revoked.

F.25 Officers must still follow the remainder of these Rules even if an exemption is granted from the competitive requirements.

### **Waivers of Contract Procedure Rules**

F.26 Waivers of any of these Rules will only be given in exceptional circumstances by the Full Council, Cabinet, Strategy Committee or Management Committee as appropriate.

### **Starting the Procurement Process**

F.27 Heads of Service are responsible for ensuring that Procuring Officers within their departments have the necessary skills and knowledge appropriate to the task.

F.28 Before starting a procurement process, it will normally be appropriate to have regard to the need and options for satisfying it. The options for satisfying the need include:

- (a) not buying the supplies, having the works done or providing the services at all;
- (b) providing the goods, works or services ourselves (for example, by taking surplus supplies from another department or using their staff);
- (c) getting someone else to provide the on-going supplies, works or service (“outsourcing”/ provision by the private, voluntary, “third” sectors or another local authority or public body);

- (d) providing the supplies, works or services in partnership with someone else (with the private, voluntary, “third” sectors or another local authority or public body);
- (e) by commissioning jointly with another Council; and / or
- (f) shared service delivery with another Council i.e. by delegating our functions to another Council, setting up a Joint Committee or setting up a new company to deliver the services for us or with other authorities jointly.

### **Collaborative Procurements**

- F.29 Joint procurements must be led by one council that is named as the contracting body in the procurement documents. The procurement documents must state the contracting body is procuring on behalf itself and other councils, and name all of the other councils to the procurement.
- F.30 The Partnership is not an identifiable contracting body. For procurements on behalf of the Partnership, one Council must lead the procurement as the contracting buyer on behalf itself and the other Councils within the Partnership.
- F.31 If following consideration of alternative buying solutions, a joint procurement or other form of collaborative procurement is to be used with another Council, the conduct of the procurement should be on terms no less rigorous than the requirements of these rules for any Council procurement.

### **Contracts Involving PFI or PPP Arrangements**

- F.32 For contracts involving the transfer of Council employees to a third party , a Private Finance Initiative (PFI) or Public Private Partnership (PPP) arrangement and any other procurement that the procuring Officer considers could give rise to significant reputational risk to the Council, Officers should:
- (a) seek a Member decision from the appropriate Committee as to whether tenders are to be invited under the Head of Service recommended contract strategy;
  - (b) in the event of tenders having been secured and evaluated, seek a further decision from the Members as to whether a contract is to be awarded and to whom.

### **Estimating the Value of Procurements**

- F.33 Before procuring any goods, works or services, the Procuring Officer must estimate the value, net of VAT, of the procurement.
- F.34 The value of a contract means the estimated total monetary value over its full duration, including any form of option and any renewals of the contract. In the case of collaborative procurements, the

spend of all buying partners to the procurement should be included in the estimated value.

F.35 Detailed EU procurement provisions apply to the method used to estimate the value of contracts. Guidance on these methods is available from the Procurement Team.

F.36 In general terms, it is preferable if the Council makes its purchases in the form of a single large procurement in preference to a series of smaller procurements. Particularly in the case of contracts for which a Contract Strategy is required, you should normally consider whether this might be an option in relation to your proposed procurement and if appropriate discuss it with the Procurement Team. A large procurement can be arranged into “lots”, for example geographically, with smaller contracts awarded if this promotes competition and/ or encourages Small and Medium Sized Enterprises (SMEs) to bid.

F.37 Procurements should not be subdivided for the purpose of avoiding any of the following procurement thresholds.

F.38 The thresholds at which the different rules apply are summarised in the table below:

<b>Value</b>	<b>Authorisation to start Procurement Process</b>	<b>Competition Requirements</b>	<b>Authorisation required to award contract</b>	<b>Documentation required to award contract</b>
Less than £5,000	-	Minimum of 1 written quote  Or call off a suitable framework agreement	Manager or Head of Service	Purchase Order with standard terms & conditions or terms and conditions approved by Legal Services
More than or equal to £5,000 and less than £10,000	-	Minimum of 2 written quotes  Or call off a suitable framework agreement	Manager or Head of Service	Purchase Order with standard terms & conditions or terms and conditions approved by Legal Services.



More than or equal to £10,000 and less than £100,000	Head of Service and Procurement Team Leader must approve Contract Strategy	Minimum of 3 written quotes Or call off a suitable framework agreement	Head of Service and Procurement Team Leader must approve Contract Strategy	Purchase Order with a) standard terms and conditions or b) terms and conditions approved by Legal Services or c) a form of agreement approved by Legal Services.
More than or equal to £100,000 and less than relevant EU Threshold	Strategic Director and Procurement Team Leader must approve Contract Strategy	Minimum of 3 Tenders Or call off a suitable framework agreement	Strategic Director and Procurement Team Leader must approve Contract Strategy. Contract must be signed by Strategic Director and sealed in accordance with the Constitution	Purchase Order with a) standard terms and conditions or b) terms and conditions approved by Legal Services or c) a form of agreement approved by Legal Services.
Equal to or more than EU Threshold	Strategic Director and Procurement Team Leader must approve Contract Strategy	Minimum of 4 Tenders Or call off a suitable framework agreement	Strategic Director and Procurement Team Leader must approve Contract Strategy. Contract must be signed by Strategic Director and sealed in accordance with the Constitution	Purchase Order with a form of agreement approved by Legal Services.

## Contract Strategy

F.39 A Contract Strategy is required for all procurements which is estimated at £10,000 or over. The Contract Strategy must be recorded using the standard template and the strategy must be approved by the Procurement Team Leader.

F.40 Template Procurement documents are available from the Procurement Team. If your procurement is estimated at £10,000 or over then the Procuring Officer must consult with the Procurement Team Leader prior to sending any documents out to potential bidders. The template documents are regularly updated; therefore,

the Procuring Officer must request the most recent version, from the Procurement Team, for any procurement that is undertaken.

- F.41 The Pre-Procurement part of the Contract Strategy form must be completed by the Procuring Officer before procurement is commenced.
- F.42 The Contract Award part of the Contract Strategy form must be completed by the Procuring Officer before a contract is awarded.
- F.43 Before the procurement is commenced or the contract is awarded, the relevant part of the Contract Strategy must be approved by:
- (a) for procurements with an estimated value or actual contract award value less than £100,000
    - (i) The appropriate Head of Service; and
    - (ii) The Procurement Team Leader;
  - (b) for procurements with an estimated value or contract award value more than or equal to £100,000:
    - (i) The appropriate Strategic Director; and
    - (ii) The Procurement Team Leader.
- F.44 All Contract Strategies must be recorded on the Contract Strategy form available from the Procurement Team. The Procurement Team Leader is responsible for keeping the Contract Strategy form under review and up-to-date.

## How We Buy the Goods and Services We Need

### Publication – Contract Opportunities under EU Threshold

- F.45 Generally, contract opportunities estimated at more than or equal to £10,000 should be published.
- F.46 Procurement opportunities more than or equal to £25,000 must be published unless the Procurement Team Leader agrees otherwise. The reasons for that decision should be recorded on the Contract Strategy.
- F.53 Wherever we publish a contract opportunity that is estimated to be more than or equal to £25,000, it is a legal requirement that the opportunity is published on the central government portal Contracts Finder. Procuring Officers should contact the Procurement Team to arrange this.

### Publication – Contracts Awarded £10,000 or over

- F.47 All contract awards with a value of £10,000 or more, must be recorded and published on the Council's Contract Register.
- F.48 The Procurement Team is responsible for maintaining the Contract Register.
- F.49 All contract awards valued at £25,000 or more must, in addition to publication on the Contract Register, be published on the central

government Portal Contracts Finder. Procuring Officers should consult with the Procurement Team to arrange this.

### **Purchase Orders**

F.50 The Purchase Order must specify the supplies, services or works being purchased. In addition, the Purchase Order must contain: the prices, terms and conditions of contract and the terms of payment.

### **Terms and Conditions of Contract**

F.51 Contracts under £10,000 should be awarded using a purchase order with the Council's standard terms and conditions or terms and conditions that have been approved by Legal Services. The Procuring Officer must satisfy themselves that proposed terms and conditions are appropriate and if necessary consult Legal Services.

F.52 Contracts more than or equal to £10,000 and less than £100,000 can be awarded using a purchase order with:

- (i) the Council's standard terms and conditions; or
- (ii) terms and conditions approved by legal services; or
- (iii) a form of agreement approved by legal services;

and the Procuring Officer must consult, at the earliest opportunity, Legal Services about the suitability of the proposed terms and conditions.

F.53 Procuring Officers must consult, at the earliest opportunity, Legal Services about the proposed terms and conditions of any contract more than or equal to £100,000 in value. Contracts more than or equal to £100,000 must be awarded using a purchase order with a form of agreement that has been approved by legal services.

### **Framework Agreements**

F.54 Procuring Officers should check with the Procurement Team Leader whether any Framework Agreements exists that the Council can use and is suitable for what we are buying.

F.55 Often, framework agreements will be the most efficient and cost effective way of buying goods, services or works. If a suitable framework is not already in place then it may be sensible to consider if it would be better value to set up a framework. This is likely where you are going to need to buy the same or similar things again in the future. Guidance on how to set up a framework is available from the Procurement Team Leader.

F.56 Where a framework agreement is used, the procedures to award a contract provided in the Framework Agreement's documentation must be strictly complied with and undertaken in consultation with the Procurement Team Leader.

**Quotes (where a Framework Agreement is not used)**

F.57 Where a Framework Agreement is not used, for procurements with an estimated value:

- (i) Less than £5,000 at least 1 written quote
- (ii) Less than £10,000 (but more than or equal to £5,000) at least 2 written quotes must be obtained;
- (iii) Less than £100,000 (but more than or equal to £10,000) at least 3 written quotes must be obtained;

before a formal purchase order is issued.

**Tenders (where a Framework Agreement is not used)**

F.58 For procurements with an estimated value of more than or equal to £100,000 but below the relevant EU threshold a formal tender process must be conducted (where a Framework Agreement is not used) in the manner outlined below.

F.59 A minimum of 3 candidates must be approached for securing a tender unless the agreement of the Procurement Team Leader is secured. Circumstances which might justify a smaller tendering exercise should include evidence that insufficient suitable candidates exist and this should be recorded on the Contract Strategy.

F.60 Where tenders are to be invited the procedure to be followed must be determined prior to advertising and must be one of the following:

- (a) Open tender (all interested contractors submit a tender in response to an advertisement).
- (b) Restricted procedure (expressions of interest from interested contractors in response to an advertisement). This procedure can only be used for works contracts with an estimated value more than or equal to the EU threshold for goods and services. When advertising for expressions of interest, suppliers should generally be given 4 weeks from the date of publication to submit a Supplier Selection Questionnaire. Shorter timescales can only be used with the approval of the Procurement Team Leader.

F.61 A 10 day standstill period should be observed between the decision to award and entering into the contract, during which period unsuccessful suppliers to the procurement may challenge the result. Suppliers must be notified of the standstill period through an electronic mode of communication. Any decision not to include a standstill period must be approved by the Procurement Team Leader.

**Tenders Over the EU threshold (where a Framework Agreement is not used)**

- F.62 Contract values above which detailed EU procurement provisions apply are currently published on the Procurement Intranet page. Please note that these thresholds are amended bi-annually in January and you must refer to the Procurement Team to check the latest thresholds.
- F.63 For transactions valued over the relevant EU threshold for supplies, services or works, where a Framework Agreement is not used, a formal EU tender process must be followed.
- F.64 The procurement of any service above EU threshold and not based on a framework agreement, must consider how the economic, social and environmental well-being of the relevant area might be improved as per the Public Services (Social Value) Act 2012.
- F.65 A Contract Notice must be placed in the Official Journal of the European Union. Only **after** the Contract Notice has been published may the advert also be placed on the Council's Contract Register, Contracts Finder and any other appropriate publications or online portals.
- F.66 Where tenders are to be invited the procedure to be followed must be in accordance with the Public Contract Regulations. The following procedures are provided by the detailed EU procurement provisions:
- (i) Open procedure
  - (ii) Restricted procedure (this will normally be the most appropriate procedure to follow)
  - (iii) Competitive procedure with negotiation
  - (iv) Competitive dialogue
  - (v) Innovation partnership
  - (vi) Use of the negotiated procedure without prior publication
- F.67 The Procurement Team Leader must approve the chosen procedure and record this decision on the Contract Strategy. The Procurement Team can provide Procuring Officers with further information about the procedures.
- F.68 A 10 day standstill period must be observed between the decision to award and entering into the contract, during which period unsuccessful suppliers to the procurement may challenge the result. Suppliers must be notified of the standstill period through an electronic mode of communication.
- F.69 A Contract Award Notice must be placed in the Official Journal of the European Union within 30 calendar days after the date of award. Only **after** the Contract Award Notice has been published may contract award notices be published on the Council's Contract Register, Contracts Finder and any other appropriate publications or online portals.

## Electronic Procurement

### e-Tendering

F.70 The Council's secure electronic tendering system must be used wherever possible, in order to conduct the procurement process electronically via the internet. Any decision not to use the e-Tendering portal for procurements more than or equal to £10,000 must be approved by the Procurement Team Leader.

### e-Auctions

F.71 An e-Auction is a reverse auction where suppliers bid against each other online for contracts against a published specification using secure internet-based technology. It is unlikely that the Council will need to purchase sufficient volume to make this a cost effective procurement route. The agreement of the Procurement Team Leader should be secured by anyone wanting to use this option or participate in an e-Auction event run by another organisation, such as the Crown Commercial Service.

F.72 Purchasing from auction based websites (such as EBay) is not permitted.

## Receiving and opening tenders

### Receipt – not using the e-Tendering System

F.73 Where an e-Tendering system is not used, a response to an invitation to tender for a transaction valued over £100,000 must :

- (a) be delivered in the tender envelope provided by the Council no later than the time specified for submission of tenders in the invitation to tender
- (b) have a label addressed to the Procurement Team Leader at South Walks House, South Walks Road, Dorchester, Dorset, DT1 1UZ placed on the tender envelope;
- (c) have a further label specifying the contract title, date and time of return placed on the tender return envelope.
- (d) be in hard copy (with a copy on CD ROM if required); and
- (e) have no labelling or other markings that identify the tenderer on the envelope.

F.74 Where an e-Tendering system is not used, the Procuring Officer must make arrangements to ensure that:

- (i) the receipt of each Tender is logged without delay upon receipt in the Tender Record Book; and
- (ii) the envelope containing the Tender remains sealed but is noted with the date and time of receipt and the name and signature of the Receiving Officer; and
- (iii) if received by post, the receipt is undertaken by the Officer dealing with the post or by such other Officer as

is identified as most appropriate for the tender process;  
or

- (iv) if received by hand, receipt is logged by a Customer Services Officer or such other Officer as has been identified as most appropriate for the tender process.
- (v) All such Tenders are passed **without delay** to the Procurement Team Leader.

- F.75 Procuring Officers should not disclose the names of candidates to any staff involved in the receipt, custody or opening of Tenders.
- F.76 The Procurement Team will keep the Tenders secured in a locked cabinet until the time specified for their opening.
- F.77 The Procurement Team will make arrangements to ensure that all Tenders are opened at the same time when the period for their submission has ended. The Procuring Officer or his representative must be present. Tenders must be opened in the presence of an officer representing the Chief Executive and a Financial Officer. Invitations should also be sent to Internal Audit and the Chief Finance Officer who may also wish to attend.
- F.78 The Procurement Team will make arrangements to ensure that the opened tenders are recorded in the Tender Record Book.
- F.79 Faxed or emailed tenders must not be accepted.

### **Receipt - using the e-Tendering System**

- F.80 Where an e-Tendering system is used, electronic tenders must only be received via the electronic tendering software system.

### **Irregular Tenders**

- F.81 Where a tender has been received which is an Irregular Tender in that it does not fully comply with the instructions given in the Invitation to Tender documentation because it is received after the appointed time for receipt or contains a mark of identification, the Officer shall, **prior to opening any of the tenders**, submit a report to the Strategic Director responsible for finance giving details of the Irregular Tender.
- F.82 If, having considered that report, that Strategic Director considers that the tenderer who submitted the Irregular Tender has gained no advantage from its irregularity s/he may determine to accept the Irregular Tender and authorise that it be opened and evaluated together with any other tenders in accordance with this Regulation.
- F.83 The Strategic Director responsible for Finance shall record in writing the reasons why each Irregular Tender has been accepted or rejected and sign and date the record. This record shall be kept with the Tender Record Book and a copy on the contract file.

### **Opening – not with the e-Tendering System**

- F.84 Upon opening, a summary of the main terms of each Tender must be recorded in the Tender Record Book and signed and dated by all Officers present at the opening.
- F.85 Tenders shall be compared with an estimate prepared by Officers to identify whether they appear to be unrealistically high or low for the purposes of that estimate.

### **Opening – using the e-Tendering System**

- F.86 The procedure provided by this e-Tendering System to validate and open the tenders must be followed.

### **Clarification Procedures and Post-Tender Negotiation**

- F.87 Providing clarification of an Invitation to Tender to potential or actual candidates in writing or by way of a meeting may be permitted subject to the approval of the Procurement Team Leader. Care must be taken to ensure that no unfair advantage is gained by a candidate and questions and answers must therefore be circulated to all participants.
- F.88 If there appears to be an error in a bid or supporting information, the candidate must be invited to confirm or withdraw the bid. Where the error relates to the tender total as calculated from tendered rates and variable quantities, the bid will be regarded as the tender total bid and the rate adjusted accordingly. The tenderer will be invited to confirm or withdraw the bid and resulting rate.
- F.89 Where a procurement is conducted through either the open or restricted procedures no post tender negotiations are permitted.
- F.90 Where the Competitive Procedure with Negotiation or the Negotiated Procedure has been used and post-tender negotiation has been entered into, all tenderers should be invited to submit their best and final offers at the conclusion of negotiations under the same procedure as for the receipt and opening of tenders above. In this case, the best and final offers should be evaluated by revisiting the objective scoring process and revising scores as appropriate.

### **Evaluating quotations / tenders**

- F.91 Where written quotations are invited for contracts valued at or below £100,000 for which a contract strategy has been prepared, then the bidder submitting the lowest price compliant bid should normally be awarded any resulting contract, **unless** alternative pre-determined criteria are detailed in the document used to invite bids awarded on that basis.
- F.92 For contracts valued over £100,000 and for all contracts governed by EU Directives, a more complex Best Value tender evaluation procedure based on the identification of the Most Economically Advantageous Tender (“MEAT”) must be used. There are some situations, however, where MEAT will not be an appropriate method of evaluation - usually where the only discerning factor between products and/or solutions will be that of price (e.g. where you are buying stationery or other standard items). It is unlikely that providers for Services or Works could be



selected on price alone as these will often require more quality based evaluation techniques. While criteria for evaluation is at the discretion of the Council care needs to be taken that using a lowest price method of evaluation rather than using MEAT is appropriate for the procurement.

- F.93 The MEAT evaluation involves scoring tenders objectively by a panel of two or more officers and/or independent experts using criteria which must:
- (a) be pre-determined and listed in the invitation to tender documentation in order of importance;
  - (b) be strictly observed at all times throughout the tender process;
  - (c) reflect the principles of Best Value;
  - (d) include price;
  - (e) consider whole-life costing, particularly in the case of capital equipment where the full cost of maintenance, decommissioning and disposal should be taken into account;
  - (f) be capable of objective assessment;
  - (g) be weighted according to their respective importance;
  - (h) for restricted procedures, must not include criteria which have already been assessed at the shortlisting (selection questionnaire) stage;
  - (i) include, where applicable, the quality of the tenderers' proposals to accept a transfer of staff under the Transfer of Undertakings (Protection of Employment) Regulations 2006 (TUPE);
  - (j) include, where applicable, the quality of the tenderer's proposals to consider corporate objectives such as sustainability, third sector, SMEs and ethical purchasing; and
  - (k) avoid discrimination or perceived discrimination on the basis of age, gender, ethnicity, religion/belief, disability or sexuality or other protected characteristics or cause contrary to any of the Council's policies.
- F.94 Where this evaluation methodology is used, any resulting contract must be awarded to the tenderer which submits the most economically advantageous tender, i.e. the tender that achieves the highest score in the objective assessment.
- F.95 The Officer must prepare a report to include the allocated scoring and reasons and recommendation. The report must be submitted with the Contract strategy to the Procurement Team Leader for approval prior to the contract being awarded.
- F.96 Following the opening of tenders/ assessment of quotations, in addition to any authorisations contained within the Officer Scheme of Delegations a contract may be accepted by the following:-

<b>Contract Value</b>	<b>Authorised to Accept Tender</b>
Up to £100,000	Head of Service / Corporate Manager
Over £100,000 but not exceeding £1,000,000	Head of Service and Strategic Director
Over £1,000,000	Chief Executive

## **Awarding contracts and Audit Trails**

- F.97 The results of any shortlisting evaluation process and tender / quotation evaluation process must be recorded in writing.
- F.98 Prior to the award of a contract the Officer determining the award should, if they are in doubt, check that the appropriate budget holder has sufficient funds in place to sustain the contract.
- F.99 It is also good practice if prior to awarding the contract the determining Officer seeks to confirm that the appropriate procurement procedures were followed.
- F.100 In the event that the determining Officer is in doubt as to the availability of funds and/or believes that appropriate procurement procedures were not followed, then s/he should in the first instance liaise with the Procurement Team Leader prior to awarding the contract.
- F.101 A contract should only be signed by an Officer duly authorised to do so. The Officer Scheme of Delegations contains various delegations and provisions that are relevant in this respect.
- F.102 For all transactions valued at or over £10,000, details of relevant matters relating to the award be passed to the Procurement Team Leader to include:
- (a) details of the contract; and
  - (b) The Officer responsible for managing the contract.

The Procurement Team Leader will arrange for these details to be recorded on the Contract Register.

This form must be approved by the Procurement Team Leader and copied to Legal Services.

Heads of Service / Corporate Managers should ensure that proper records of all procurement activity are kept for six (6) years, or twelve (12) years if the contract is sealed, after the end of the contract. However documents which relate to unsuccessful candidates may be electronically scanned or stored by some other suitable method after twelve (12) months from award of contract, provided there is no dispute about the award. If an Officer is uncertain as to what documentation should be retained then s/he should consult with the Procurement Team Leader / Legal Services.

- F.103 The Officer procuring a contract should make arrangements to ensure that copies of contract documentation for any contracts procured by other collaborative partners to which the Council was also a signatory are retained, accessible to the Council and that copies can be made available to any reasonable extent required having regard to the time periods identified above. For contracts in respect of which a Contract Strategy was completed, the Council is likely to wish to retain in its own possession a copy of the contract and such other contractual documentation as may be considered appropriate. The procuring Officer should therefore make arrangements for a copy of the contract to be secured with Legal Services. So far as any other documentation is concerned, the procuring Officer should check with the Procurement Team Leader and / or Legal Services if they wish to have clarification of other documentation that should be copied and provided to the Council at the outset.
- F.104 All original contract documentation and copies of contract documentation secured pursuant to the provisions above must be passed to Legal Services for safekeeping.

### **Standstill Period (for all contracts over £100,000)**

- F.105 For all contracts tendered pursuant to the detailed EU Procurement Provisions, and call – offs from a framework with a value over the EU threshold, a ‘standstill period’ must be observed between the decision to award and contract conclusion.
- F.106 For all contracts tendered over £100,000 but below the EU threshold it is recommended that a ‘standstill period’ be observed between the decision to award and contract conclusion. Any decision not to include a standstill period must be approved by the Procurement Team Leader.
- F.107 Once the decision to award a contract is made, each tenderer must be notified in writing on the outcome of the tender process. This notification must include:
- (a) details of the contract award criteria;
  - (b) where practicable the score the tenderer obtained against those award criteria;
  - (c) where practicable the score the winning tenderer obtained;
  - (d) the name of the winning tenderer;
  - (e) the relative characteristics and advantages of the winning tender; and
  - (f) all other legal requirements.
- F.108 There must be a minimum of 15 calendar days between the despatch of this notification and the conclusion of the contract. This time period can be reduced to 10 calendar days if notification is by electronic means.
- F.109 Special rules apply where a tenderer requests a debrief on the tender process. Even if a tenderer asks for a debrief outside of the standstill

period we are still obliged to provide this. If a request for a debrief is received, advice must be sought from the Procurement Team Leader at the earliest opportunity.

- F.110 The contract documentation must be completed and signed before the contract commences. Only with the prior written approval from Legal Services may a contract with a value below £100,000 be commenced without the contract documentation having been signed and completed.

### **Contract Award Notice**

- F.111 All contracts awarded to which the EU Detailed Procurement Provisions apply, including a call off contract from a framework where the total value of the call off has a value over the relevant EU threshold, must be announced by means of a Contract Award Notice in OJEU published no later than 30 calendar days after the date of award.

### **Conditions of contract**

- F.112 All transactions must use an appropriate form of contract. If you are unsure about the suitability of a contract you should seek advice from the Legal Services. For contracts in respect of which a contract strategy has been prepared it is likely to be appropriate to seek advice from Legal Services regarding the relevant contract to use.

- F.113 For all contracts for services where the services:

- (a) relate to PFIs or PPPs;
  - (b) are for a value in excess of £10,000; or
  - (c) are of a nature that you consider to be complex or unclear,
- then Legal Services must be consulted before inviting a tender regarding the identification of a reasonable set of contract conditions.

- F.114 Where:

- (a) the Procuring Officer considers that the Council may wish to enforce the contract more than six years after its end
- (b) the price paid or received under the contract is a nominal price and does not reflect the value of the goods or services;
- (c) the Procuring Officer is in any doubt about the authority of any person signing for the other contracting party;
- (d) the procuring officer considers that a contract is considered to be of a strategically important or politically sensitive nature; or
- (e) the extended limitation period would be of value;
- (f) the contract is for a value in excess of £100,000, and /or
- (g) the Procuring Officer considers that the contract is unusual or particularly complex,

the contract must be in writing and executed under seal.

- F.115 Where a contract exceeds £100,000 it should also be signed by two Officers.

F.116 A contract must be sealed where:

- (a) The council may wish to enforce the contract more than six years after its end; or
- (b) The price paid or received under the contract is a nominal price and does not reflect the value of the goods or services; or
- (c) Where there is any doubt about the authority of the person signing for the other contracting party; or
- (d) The Total Value exceeds £100,000.

F.117 Legal Services must:

- (a) keep a record or list of all model sets of conditions of contract that gives details of when the conditions were last updated, who is responsible for their updating and contact references;
- (b) review all current conditions of contract, at least every 2 years, or when new legislation is introduced;

F.118 monitor and review conditions of contract issued by other organisations from time to time;

F.119 The Procurement Team will maintain the Council's contract register and make it available to the public on the Council's internet.

### **Parent Company Guarantees and Performance Bonds**

F.120 The Procuring Officer must consult the Chief Finance Officer and Procurement Team Leader on all tenders where the total value exceeds £100,000 to determine if a bond, parent company guarantee or other security is required.

### **Disposal of Assets**

F.121 Heads of Service / Corporate Managers are responsible for the disposal of their own surplus goods. The same competitive process for buying supplies, services and works must also be applied to the disposal of surplus goods. Separate arrangements are in place for land and property disposals.

F.122 If you are in any doubt, professional advice must be sought when making valuations.

F.123 Assets for disposal must be sent to public auction except where better value for money is likely to be obtained by inviting sealed bids. You must consider the full cost of the process and the commission payable before deciding which method of disposal is appropriate.

F.124 When inviting sealed bids to dispose of surplus assets (other than land and property) the process is determined as follows:

<b>Total Estimated Value</b>	<b>Procedure</b>
Up to £100	one written bid

£100.01 to £10,000	three written sealed bids
£10,000.01 to £100,000	four written sealed bids
£100,000.01 and above	Invitation to Tender to at least four candidates

- F.125 The highest value unconditional bid received should be accepted unless, in the view of the Chief Finance Officer, a conditional bid offers better value to the Council.
- F.126 Officers dealing with the disposal of land should consult with Legal Services. Documentation and details of the process must be maintained in order to demonstrate best consideration is achieved.

### Transfers of Contracts

- F.127 Where the Strategic Director with responsibility for finance determines that it is appropriate do so following consultation with the Procurement Team Leader, the Council may agree to transfer a contract. The Contract Register must be updated with the transfer details. For the avoidance of doubt this provision shall be treated as part of the Officer Scheme of Delegations for the purposes on interpreting the power of the Strategic Director in this respect.

### Conflicts of Interest

- F.128 Any interest which may affect the award of a contract under these Rules must be declared. Every officer must make a written declaration of interests and update it immediately when an interest changes.
- F.129 The Corporate Manager for Legal Services, in consultation with the Monitoring Officer, must either certify such interests as being acceptable or take any action s/he considers appropriate in respect of potential conflicts of interest and the Officer should take no part in the award of a contract by the Council.
- F.130 The Council's Code of Conduct for Employees contains provisions relating to the acceptance of gifts and hospitality and the Council's zero tolerance approach to fraud. Gifts or hospitality should not be accepted from any tenderers to any contract being let by the Council and to do so could give rise to a disciplinary offence. You must inform the Strategic Director responsible for Finance and the Procurement Team Leader if you are dealing with a contract for the Council and have been offered such a gift or hospitality.
- F.131 No Council contract should be used by an Officer for personal use.

### Variations

- F.132 Contracts must not be extended or varied without consulting the Procurement Team Leader. Any variation to the contract must be recorded in writing and stored with the original contract documentation.

## Contract formalities

- F.133 Contract documentation shall be completed in accordance with the Council's Constitution.
- F.134 Officers must ensure that all contract documents are passed to Legal Services for safe keeping. The Procuring Officer must ensure that where appropriate contract details are notified to the Insurance Officer prior to the commencement of any new contract. If the Procuring Officer should be in doubt on this matter then s/he should seek the advice of the Procurement Team Leader.

## Post Contract Monitoring and Evaluation

- F.135 Where a contract for which a Contract Strategy was prepared covers a period of time the Procuring Officer should monitor and record details of
- (a) Performance
  - (b) Compliance with specification and contract
  - (c) Cost
  - (d) Any value for money requirements
  - (e) User satisfaction and risk management.
- F.136 Any failure to meet the specification should be reported to the line manager of the officer monitoring the contract as soon as reasonably possible

## Prevention of Corruption

- F.137 The Officer must comply with the Constitution and must not invite or accept any gift, hospitality or reward in respect of the award or performance of any contract. If any gift, hospitality or reward is offered or received the Officer must immediately notify a Director and the Corporate Manager for Legal Services.
- F.138 It will be for the Officer to prove that anything received was not received corruptly.
- F.139 High standards of conduct are obligatory. Corrupt behaviour may lead to dismissal and is a crime under the statutes.
- F.140 The Officer must immediately notify the Chief Finance Officer and Corporate Manager for Legal Services if he/she becomes aware of any personal interest or relationship to any candidate.
- F.141 A clause to the following effect must be put in every written council contract:
- The council may terminate this contract and recover all its loss if the contractor, its employees or anyone acting on the contractor's behalf do any of the following things:
    - (a) Offer, give or agree to give to anyone any inducement or reward in respect of this or any other council contract

(even if the contractor does not know what has been done); or

- (b) Commit an offence under the Prevention of Corruption Acts 1889 to 1916, the Bribery Act 2010 or Section 117(2) of the Local Government Act 1972; or
- (c) Commit any fraud in connection with this or any other council contract whether alone or in conjunction with council members, contractors or employees.

Any clause limiting the contractor's liability shall not apply to this clause.

### **Procurement by Consultants**

F.142 Any consultants used by the Council will be appointed in accordance with these Contract procedural rules. Where the Council uses consultants to act on its behalf in relation to any procurement, then the Head of Service or Director will ensure that the consultants are provided with a copy of these Procedural Rules and that they carry out any procurement in accordance with them. No consultant will make any decision on whether to award a contract or who a contract should be awarded to. The Project Officer will ensure that the consultant's performance is monitored.

F.143 Any consultant who has been appointed to seek tenders on behalf of the Council as all or part of their duties will comply with these procedural rules and will act as the Head of Service unless an Officer has been appointed to do so in accordance with the High Value Procurement Rules.

### **Income Generation Opportunities**

F.144 The thresholds outlined in F.38 will apply to income generation opportunities such as licences and concessions.

F.145 New, innovative proposals may be given a contract for a maximum of 2 years before testing the market, where the proposed sum is below the EU threshold.



