



East Hertfordshire

District Council

# FINANCIAL PROCEDURES

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# Financial Procedures

## Status of Financial Procedures

Financial Procedures provide a detailed framework as to how the Financial Regulations will be implemented. They apply to every Member and officer of the Authority and anyone acting on its behalf. The Financial Procedures should be read in conjunction with the Financial Regulations, the Rules of Procedure Relating to Contracts and other internal regulatory documents.

The Assistant Director of Financial Services is responsible for maintaining a continuous review of the Financial Procedures and submitting any additions or changes necessary to the Council for approval. The Assistant Director of Financial Services is also responsible for reporting, where appropriate, breaches of the Financial Procedures to the Executive.

Assistant Directors are responsible for ensuring that all staff in their divisions are aware of the existence and content of the Authority's Financial Regulations, Financial Procedures, Rules of Procedure Relating to Contracts and other internal regulatory documents and that they comply with them. They must also ensure that an adequate number of copies are available for reference within their divisions.

The Assistant Director of Financial Services is responsible for issuing advice and guidance to underpin the Financial Regulations and Financial Procedures that Members, officers and others acting on behalf of the Authority are required to follow.

## **1. FINANCIAL MANAGEMENT**

### **FINANCIAL MANAGEMENT STANDARDS**

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

- 1.1** All staff 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.

#### **Key controls**

- 1.2** The key controls and control objectives for financial management standards are:
- (a) their promotion throughout the Authority
  - (b) a monitoring system to review compliance with financial standards, and regular comparisons of performance indicators and benchmark standards that are reported to the Overview and Scrutiny Committees, the Executive and Council.

#### **Responsibilities of the Assistant Director of Financial Services**

- 1.3** To ensure the proper administration of the financial affairs of the Authority.
- 1.4** To determine and obtain Council approval of the financial management standards and to monitor compliance with them.

- 1.5 To ensure proper professional practices are adhered to and to act as head of profession in relation to the standards, performance and development of finance staff throughout the Authority.
- 1.6 To advise on the key strategic controls necessary to secure sound financial management.
- 1.7 To ensure that financial information is available to enable accurate and timely monitoring and reporting of comparisons of national and local financial performance indicators.

### **Responsibilities of Executive Directors and Assistant Directors**

- 1.8 To promote the financial management standards as determined by the Assistant Director of Financial Services and approved by Council in their areas of responsibility and to monitor adherence to the standards and practices, liaising as necessary with the Assistant Director of Financial Services.
- 1.9 To promote sound financial practices in relation to the standards, performance and development of staff in their areas of responsibility.

### **MANAGING EXPENDITURE**

#### **Scheme of virement**

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

- 1.10 The scheme of virement is intended to enable the Assistant Directors and their staff to manage budgets with a degree of flexibility within the overall Policy Framework determined by the Council, and therefore to optimise the use of resources.

## Key controls

1.11 Key controls for the scheme of virement are:

- (a) it is administered by the Assistant Director of Financial Services within guidelines set by the Council. Any variation from this scheme requires the approval of the Council
- (b) the Budget is proposed by the Executive and approved by the Council. Assistant Directors and budget managers are therefore authorised to incur expenditure in accordance with the estimates that make up the Budget
- (c) rules set by the Council are in place to cover virements; that is, switching resources between approved expenditure and income budget heads. A budget head is considered to be a line in the approved Financial Budgets report, or, as a minimum, at an equivalent level to the standard service subdivision as defined by CIPFA's Service Expenditure Analysis
- (d) virement does not create additional overall Budget liability. Assistant Directors are expected to exercise their discretion in managing their budgets responsibly and prudently. For example, they should aim to avoid supporting recurring expenditure from one-off sources of savings or additional income, or creating future commitments, including full-year effects of decisions made part way through a year, for which they have not identified future resources. Assistant Directors must plan to fund such commitments from within their own budgets.

## **Responsibilities of Assistant Directors**

- 1.12** To notify the Assistant Director of Financial Services of any proposed virement.
- 1.13** Subject to the conditions in paragraphs 1.15 to 1.16 below and subject to budgetary provision being confirmed in writing by the Assistant Director of Financial Services, each Assistant Director shall have authority to transfer up to £10,000 per individual virement up to a maximum of £50,000 in any one financial year in aggregate from any approved revenue expenditure vote under his or her control (other than employee costs or unspent special items) or by up to £10,000 per individual virement up to a maximum of £50,000 in any one financial year in aggregate where actual income exceeds an annual income budget under his or her control to cover new or additional revenue expenditure or shortages in income, provided it has similar revenue effects. Each Assistant Director exercising authority under this Financial Procedure in respect of new items of expenditure not contained within the approved budget must obtain the approval of the relevant Executive Portfolio Holder before the virement takes place.

This authority may not be used to finance items previously deferred or rejected by the Council or to avoid other controls.

Spending Officers are free, subject to Divisional procedures, to transfer budgets to and from detailed headings within an approved revenue vote without Executive approval.

Any such transfers must be notified in writing to the Assistant Director of Financial Services in order that the Financial Management System can be updated.



- 1.14** Individual revenue virements above £10,000 or where an Assistant Director's aggregate value of virements exceed £50,000 in a financial year require the approval of the Executive. Any report seeking an approval of virement from the Executive must be prepared by the appropriate Assistant Director in consultation with the Assistant Director of Financial Services. The report must specify the proposed expenditure or shortage in income and identify the source of funding. The report must also explain the implications in the current and future financial year.
- 1.15** Subject to the conditions in paragraphs 1.13 and 1.14 any virement that is likely to impact on the level of service activity of another Assistant Director will be implemented only after agreement with the relevant Assistant Director.
- 1.16** No virement relating to a specific financial year should be made after 31 March in that year.
- 1.17** Where an approved budget is a lump-sum budget or contingency intended for allocation during the year, its allocation will not be treated as a virement, provided the amount is used in accordance with the purposes for which it has been established.
- 1.18** The Authority's scheme of virement is administered by the Assistant Director of Financial Services within guidelines set by the Council. Any variation from the scheme of virement (as set out above) requires the approval of the Council.

## ACCOUNTING POLICIES

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

- 1.19** The Assistant Director of Financial Services is responsible for the preparation of the Authority's Statement of Accounts, in accordance with proper practices as set out in the format required by the *Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice* (CIPFA/LASAAC), for each financial year ending 31 March.

## **Key controls**

**1.20** The key controls for accounting policies are:

- (a) systems of internal control are in place that ensure that 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 present fairly the financial position of the Authority and its expenditure and income.

## **Responsibility of the Assistant Director of Financial Services**

**1.21** To select suitable accounting policies and to ensure that they are applied consistently. The accounting policies are set out in the Statement of Accounts, which is prepared at 31 March each year, and covers such items as:

- (a) separate accounts for capital and revenue transactions
- (b) the basis on which debtors and creditors at year end are included in the accounts
- (c) details on substantial provisions and reserves
- (d) fixed assets
- (e) depreciation
- (f) capital charges
- (g) work in progress
- (h) stocks and stores
- (i) deferred charges
- (j) accounting for value added tax
- (k) government grants
- (l) leasing
- (m) pensions.

## **Responsibility of Executive Directors and Assistant Directors**

- 1.22** To adhere to the accounting policies and guidelines approved by the Assistant Director of Financial Services.

### **ACCOUNTING RECORDS AND RETURNS**

Why is this important?

- 1.23** Maintaining proper accounting records is one of the ways in which the Authority discharges its responsibility for stewardship of public resources. The Authority has a statutory responsibility to prepare its annual Statement of Accounts to present fairly 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 Authority's resources.

### **Key controls**

- 1.24** The key controls for accounting records and returns are:
- (a) all Executive Members, financial services staff and budget managers operate within the required accounting standards and timetables
  - (b) all the Authority'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 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 the Assistant Director of Financial Services**

- 1.25** To determine the accounting procedures and records for the Authority. Where these are maintained outside of the direct control of the Assistant Director of Financial Services he/she should consult the Executive Director or Assistant Director concerned.
- 1.26** To arrange for the compilation of all accounts and accounting records under his or her direction.
- 1.27** To comply with the following principles when allocating accounting duties:
- (a) separating the duties of providing information about sums due to or from the Authority and calculating, checking and recording these sums from the duty of collecting or disbursing them
  - (b) employees with the duty of examining or checking the accounts of cash transactions must not themselves be engaged in these transactions.
- 1.28** To make proper arrangements for the audit of the Authority's accounts in accordance with the Accounts and Audit Regulations 2003.
- 1.29** To ensure that all claims for funds including grants are made by the due date.
- 1.30** To prepare and publish the audited Statement of Accounts of the Authority for each financial year, in accordance with the statutory timetable and with the requirement for the Executive to approve the Statement of Accounts.
- 1.31** To ensure the proper retention of financial documents in accordance with the requirements of the Head of Internal Audit and other bodies such as Customs and Excise and Inland Revenue.

Financial records shall be retained in accordance with the following schedule or until completion of the external audit, whichever is the later.

| Documents                                      | Period of Retention Years                                 |
|--|---|
| Cheque/Remittance Advice                       | 6   |
| Cash Book Listings                             | 10  |
| Invoices                                       | 6 + current year  |
| Purchase Orders                                | 3 + current year  |
| Successful Capital Quotations                  | To completion of works and subject to completion of Audit |
| Unsuccessful Capital Quotations                | To completion of Audit                                    |
| Revenue quotations                             | To completion of Audit                                    |
| Main Ledger                                    | 10  |
| Financial Accounts and Returns                 | Indefinite  |
| Asset Records, Inventories                     | Indefinite  |
| Tax Form – P6 – Tax Code                       | 6   |
| Tax Form – P45 – Leaving                       | 6   |
| Tax Form – P60 – Year End                      | 2   |
| Annual Tax Returns                             | 6   |
| Superannuation Returns                         | Indefinite  |
| Payroll Summary/Control                        | 6 + current year  |
| Clock cards/timesheets                         | 2   |
| Documents                                      | Period of Retention Years                                 |
| Pay Advice                                     | 1 + current year  |
| Annual Earnings Summary                        | 12 + current year   |
| Council Tax & NNDR Accounts and property files | 6 + current year  |
| Housing Benefit Applications                   | 6 + current year  |
| Rent – Tenants Records                         | 6 + current year  |
| Valuation List                                 | Indefinite  |

### **Responsibilities of Executive Directors and Assistant Directors**

- 1.32** To consult and obtain the approval of the Assistant Director of Financial Services before making any changes to accounting records and accounting procedures.
- 1.33** To comply with the principles outlined in paragraph 1.27 when allocating accounting duties.

- 1.34** To maintain adequate records to provide a management trail leading from the source of income/expenditure through to the accounting statements.
- 1.35** To supply information required to enable the Statement of Accounts to be completed in accordance with guidelines issued by the Assistant Director of Financial Services.

## THE ANNUAL STATEMENT OF ACCOUNTS

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

- 1.36** The Authority has a statutory responsibility to prepare its own accounts to present fairly its operations during the year. The Executive is responsible for approving the statutory annual Statement of Accounts.

### **Key controls**

- 1.37** The key controls for the annual Statement of Accounts are:
- the Authority 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 Authority, that officer is the Assistant Director of Financial Services
  - the Authority's Statement of Accounts must be prepared in accordance with proper practices as set out in the *Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice* (CIPFA/LASAAC).

### **Responsibilities of the Assistant Director of Financial Services**

- 1.38** To select suitable accounting policies and to apply them consistently.

- 1.39** To make judgements and estimates that are reasonable and prudent.
- 1.40** To comply with the Statements of Recommended Practice.
- 1.41** To sign and date the Statement of Accounts, stating that it presents fairly the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31 March.
- 1.42** To draw up the timetable for final accounts preparation and to advise staff and External Auditors accordingly.

### **Responsibility of Executive Directors and Assistant Directors**

- 1.43** To comply with accounting guidance provided by the Assistant Director of Financial Services and to supply the Assistant Director of Financial Services with information when required.

## 2. Financial Planning

### PERFORMANCE PLANS

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

- 2.1** Each local authority must comply with legislation and guidance issued by the Office of the Deputy Prime Minister in respect of performance plans. The purpose of performance plans are to explain overall priorities and objectives, current performance, and proposals for further improvement. External Audit is required to report on whether the Authority has complied with statutory requirements and guidance issued by the Office of the Deputy Prime Minister in respect of the preparation and publication of the Best Value Performance Plan and statutory performance indicators.

#### **Key controls**

- 2.2** The key controls for performance plans are:
- (a) to ensure that all relevant plans are produced by the statutory deadline
  - (b) to produce plans in accordance with statutory and local requirements
  - (c) to meet the timetables set
  - (d) to ensure that all performance information is accurate, complete and up to date
  - (e) to provide improvement targets which are meaningful, realistic and challenging.



## **Responsibility of the Assistant Director of Financial Services**

- 2.3** To advise and supply any required financial information that needs to be included in performance plans in accordance with statutory and local requirements and agreed timetables.

## **Responsibility of the Assistant Director of Policy and Performance**

- 2.4** The Assistant Director of Policy and Performance is responsible for complying with best value legislation and guidance issued by the Office of the Deputy Prime Minister in respect of the production of the Best Value Performance Plan. Where the production of a Best Value Performance Plan is required this will be reported by the Assistant Director of Policy and Performance to the Executive for consideration before its submission to the Council for approval.

## **Responsibilities of Executive Directors and Assistant Directors**

- 2.5** To contribute to the development of performance plans in line with statutory and local requirements.
- 2.6** To contribute to the development of corporate and service targets and objectives and performance information.
- 2.7** To ensure that systems are in place to measure activity and collect accurate information for use as performance indicators. Systems should incorporate procedures to produce relevant paperwork detailing the calculation of outturn performance.
- 2.8** To ensure that performance indicator information is monitored sufficiently frequently to allow corrective action to be taken if targets are not likely to be met.

## BUDGETING

### Format of the Budget

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

**2.9** 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 virement operate, the operation of cash limits and sets the level at which funds may be reallocated within budgets.

#### **Key controls**

**2.10** The key controls for the Budget format are:

- (a) the format complies with all legal requirements
- (b) the format complies with CIPFA's *Best Value Accounting – Code of Practice*
- (c) the format reflects the accountabilities of service delivery.

#### **Responsibility of the Assistant Director of Financial Services**

**2.11** To advise the Executive on the format of the Budget that is approved by the Council.

#### **Responsibility of Executive Directors and Assistant Directors**

**2.12** To comply with accounting guidance provided by the Assistant Director of Financial Services.

## Revenue Budget preparation, monitoring and control

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

**2.13** Budget management ensures that once the Budget has been approved by the Council, resources allocated are used for their intended purposes and are properly accounted for.

Budgetary control is a continuous process, enabling the Authority to review and adjust its budget targets during the financial year. It also provides the mechanism that calls to account managers responsible for defined elements of the Budget.

**2.14** By continuously identifying and explaining variances against budgetary targets, the Authority can identify changes in trends and resource requirements at the earliest opportunity. The Authority itself operates within an annual cash limit, approved when setting the overall Budget. To ensure that the Authority in total does not overspend, each service is required to manage its own expenditure within the cash limited budget allocated to it.

**2.15** For the purposes of budgetary control by managers, an approved expenditure and income budget head is considered to be a line in the approved Financial Budgets report, or, as a minimum, at an equivalent level to the standard service subdivision as defined by CIPFA's Service Expenditure Analysis.

### **Key controls**

**2.16** The key controls for managing and controlling the revenue budget are:

- (a) budget managers should be responsible only for income and expenditure that they can influence
- (b) there is a nominated budget manager for each cost centre heading
- (c) budget managers accept accountability for their budgets and the level of service to be delivered and understand their financial responsibilities

- (d) budget managers follow an approved certification process for all expenditure
- (e) income and expenditure are properly recorded and accounted for
- (f) performance levels/levels of service are monitored in conjunction with the budget and necessary action is taken to align service outputs and individual service budgets.

### **Responsibilities of the Assistant Director of Financial Services**

**2.17** To establish an appropriate framework of budgetary management and control that ensures that:

- (a) budget management is exercised within annual cash limits unless the Council agrees otherwise
- (b) each Assistant Director 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 and the receipt of income comply with the Financial Regulations, Financial Procedures, Rules of Procedure Relating to Contracts and relevant guidance
- (e) each cost centre has a single named manager, determined by the relevant Assistant Director. As a general principle, budget responsibility should be aligned as closely as possible to the decision-making processes that commit expenditure or generate income
- (f) significant variances from approved budgets are investigated and reported by budget managers regularly.

**2.18** To administer the Authority's scheme of virement.

- 2.19** To prepare reports for submission to the Executive and to the Council, in consultation with the relevant Assistant Director, where an Assistant Director is unable to balance expenditure and resources within existing approved budgets under his or her control.
- 2.20** To prepare and submit reports to the Executive on significant variations between the Authority's projected income and expenditure compared with approved budgets four times a year.

### **Responsibilities of Assistant Directors**

- 2.21** To maintain budgetary control within their areas of responsibility, in adherence to the principles in 2.17, and to ensure that all income and expenditure is properly recorded and accounted for.
- 2.22** To ensure that an accountable budget manager is identified for each item of income and expenditure under the control of the Assistant Director (grouped together in a series of cost centres). As a general principle, budget responsibility should be aligned as closely as possible to the decision-making that commits expenditure or generates income.
- 2.23** To ensure that expenditure and income remains within the service's overall cash 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.
- 2.24** To ensure that a monitoring process is in place to review performance levels/levels of service in conjunction with the individual service budget and is operating effectively.
- 2.25** To contribute to a report together with the Assistant Director of Financial Services for consideration by the Executive and prior approval by the Council for new proposals, of whatever amount, that:
- (a) create financial commitments in future years

- (b) change existing policies, initiate new policies or cease existing policies

A report on new proposals should explain the full financial implications. Unless the Council has agreed otherwise, Assistant Directors must plan to contain any approved new proposals within their cash limit.

- 2.26** To ensure compliance with the scheme of virement.
- 2.27** To agree with the relevant Assistant Director where it appears that a budget proposal, including a virement proposal, may impact materially on another Assistant Director's service area or level of service activity.

Budgets and medium-term planning (four - year plan)

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

- 2.28** The Authority 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 carefully weighed priorities. The Budget is the financial expression of the Authority's plans and policies.
- 2.29** The Revenue Budget must be constructed so as to ensure that resource allocation properly reflects the Council's Policy Framework, Service Plans and priorities of the Council. Budgets (spending plans) are needed so that the Authority can plan, authorise, monitor and control the way money is allocated and spent. It is illegal for the Council to budget for a deficit.
- 2.30** Medium-term planning (four-year planning system) involves a planning cycle in which Assistant Directors in consultation with the Assistant Director of Financial Services develop their own Service Plans. As each year passes, another future year will be added to the medium-term plan. This ensures that the Authority is always preparing for events in advance.

## **Key controls**

- 2.31** The key controls for budgets and medium-term planning are:
- (a) specific budget approval for all expenditure
  - (b) budget managers are consulted in the preparation of the budgets for which they will be held responsible and accept accountability within delegations set by the Executive for their budgets and the level of service to be delivered
  - (c) a monitoring process is in place to review annually the effectiveness and operation of budget preparation and to ensure that any corrective action is taken.

## **Responsibilities of the Assistant Director of Financial Services**

- 2.32** To prepare reports on budget prospects for the Executive, including resource constraints set by the Government. Reports should take account of medium-term prospects, where appropriate.
- 2.33** To determine the detailed form of revenue estimates and the methods for their preparation, consistent with the Budget approved by the Council, and after consultation with the Executive and Executive Directors and Assistant Directors.
- 2.34** To prepare reports to the Executive on the aggregate spending plans of Assistant Directors' areas of responsibility and on the resources available to fund them, identifying, where appropriate, the implications for the level of Council Tax to be levied.
- 2.35** To advise on the medium-term implications of spending decisions.

- 2.36** To encourage the best use of resources and value for money by working with Executive Directors and Assistant Directors 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.
- 2.37** To advise the Council on Executive proposals in accordance with his or her responsibilities under section 151 of the Local Government Act 1972.

### **Responsibilities of Assistant Directors**

- 2.38** To prepare estimates of income and expenditure, in consultation with the Assistant Director of Financial Services, to be submitted to the Executive.
- 2.39** To prepare budgets that are consistent with any relevant cash limits, with the Authority's annual budget cycle and with guidelines issued by the Executive. The format should be prescribed by the Assistant Director of Financial Services in accordance with the Council's general directions.
- 2.40** To integrate financial and budget plans into service planning, so that budget plans can be supported by financial and non-financial performance measures.
- 2.41** In consultation with the Assistant Director of Financial Services and in accordance with the laid-down guidance and timetable, to prepare detailed draft revenue and capital budgets for consideration by the Executive.



- 2.42** When drawing up draft budget requirements, to have regard to:
- (a) spending patterns and pressures revealed through the budget monitoring process
  - (b) legal requirements
  - (c) policy requirements as defined by the Council in the approved Policy Framework
  - (d) initiatives already under way.

Resource allocation

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

- 2.43** A mismatch often exists between available resources and required resources. A common scenario is that available resources are not adequate to fulfil need/desire. It is therefore imperative that needs/desires are carefully prioritised and that resources are fairly allocated, in order to fulfil all legal responsibilities. Resources may include staff, money, equipment, goods and materials.

### **Key controls**

- 2.44** The key controls for resource allocation are:
- (a) resources are acquired in accordance with the law and using an approved authorisation process
  - (b) resources are used only for the purpose intended, to achieve the approved policies and objectives, and are properly accounted for
  - (c) resources are securely held for use when required
  - (d) resources are used with the minimum level of waste, inefficiency or loss for other reasons.

### **Responsibilities of the Assistant Director of Financial Services**

- 2.45** To advise on methods available for the funding of resources, such as grants from Central Government and borrowing requirements.

**2.46** To assist in the allocation of resources to budget managers.

### **Responsibilities of Assistant Directors**

**2.47** To work within budget limits and to utilise resources allocated, and further allocate resources, in the most efficient, effective and economic way.

**2.48** To identify opportunities to minimise or eliminate resource requirements or consumption without having a detrimental effect on service delivery.

### Capital Programmes

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

**2.49** Capital expenditure involves acquiring or enhancing fixed assets with a long-term value to the Authority, 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.

**2.50** The Government places strict controls on the financing capacity of the Authority. This means that capital expenditure should form part of an investment strategy and should be carefully prioritised in order to maximise the benefit of scarce resources.

#### **Key controls**

**2.51** The key controls for capital programmes are:

- (a) specific approval by the Council for the programme of capital expenditure

- (b) a scheme and estimate, including project plan, progress targets and associated revenue expenditure is prepared for each capital project, for consideration by the Capital Strategy Group and approval by the Executive
- (c) proposals for improvements and alterations to buildings must be approved by the Assistant Director of Financial Services
- (d) schedules for individual schemes within the overall Budget approved by the Council must be submitted to the Capital Strategy Group for consideration and then to the Executive for approval (for example, minor works), or under other arrangements approved by the Council
- (e) the development and implementation of asset management plans
- (f) accountability for each proposal is accepted by a named manager
- (g) monitoring of progress in conjunction with expenditure and comparison with the approved budget.

### **Responsibilities of the Assistant Director of Financial Services**

**2.52** To prepare capital estimates in consultation with Executive Directors and Assistant Directors and to report them to the Capital Strategy Group and then to the Executive for consideration. The Executive will make recommendations on the capital estimates and on any associated financing requirements to the Council for approval. Executive approval is required where an Executive Director or Assistant Director proposes to bid for or exercise additional borrowing approval not anticipated in the capital programme. This is because the extra borrowing may create future commitments to financing costs.

**2.53** To prepare and submit quarterly reports to the Executive on the projected income, expenditure and resources compared with the approved estimates.

- 2.54** To issue guidance concerning capital schemes and controls, for example, on project appraisal techniques. The definition of 'capital' will be determined by the Assistant Director of Financial Services, having regard to government regulations and accounting requirements.
- 2.55** To prepare quarterly reports to the Capital Strategy Group and then onto the Executive reviewing the capital programme provisions including a quarterly return of estimated final costs (excluding VAT) of schemes in the approved capital programme. Quarterly reports to the Capital Strategy Group are to incorporate comments from project officers.

### **Responsibilities of Executive Directors and Assistant Directors**

- 2.56** To comply with guidance concerning capital schemes and controls issued by the Assistant Director of Financial Services.
- 2.57** Each Executive Director or Assistant Director in conjunction with the Assistant Director of Financial Services, shall prepare a report and fully costed project appraisal and action plan for consideration by the Capital Strategy Group and then the Executive before any scheme is included within the Capital Programme following the approval of the Council.
- 2.58** The Capital Programme is a three year programme. Subject to the written confirmation of the Assistant Director of Financial Services, Executive Directors and Assistant Directors may bring forward schemes into the current financial year from following years provided the current financial year's total Capital Programme sum is not exceeded.
- 2.59** To ensure that adequate records are maintained for all capital contracts.

**2.60** Executive Directors and Assistant Directors must obtain authorisation from the Capital Strategy Group to award any individual scheme where the resultant estimated expenditure will exceed the capital programme provision for that scheme provided the additional estimated expenditure can be accommodated from within the unallocated Capital Contingency sum for that year.

Where the resultant estimated expenditure exceeds the capital programme provision for that scheme and the remaining capital contingency for that year is insufficient to meet the additional capital expenditure then the Executive Director or Assistant Director must prepare reports in consultation with the Assistant Director of Financial Services, for consideration by the Capital Strategy Group and then the Executive for subsequent approval by the Council to award the scheme.

**2.61** Executive Directors and Assistant Directors must obtain authorisation from the Capital Strategy Group of any proposed variation to a scheme where the resultant estimated expenditure will exceed the capital programme provision for that scheme provided the additional estimated expenditure can be accommodated from within the unallocated Capital Contingency sum for that year.

Where the resultant estimated expenditure of any proposed variation to a scheme exceeds the capital programme provision for that scheme and the remaining capital contingency for that year then the Executive Director or Assistant Director must prepare reports in consultation with the Assistant Director of Financial Services, for consideration by the Capital Strategy Group and then the Executive for subsequent approval by the Council.

**2.62** To prepare reports in consultation with the Assistant Director of Financial Services, for the Capital Strategy Group and then the Executive, on completion of all contracts where the total Capital Programme provision for the scheme equals or exceeds £150,000.

- 2.63** To ensure that credit arrangements, such as leasing agreements, are not entered into without the prior approval of the Assistant Director of Financial Services and, if applicable, approval of the scheme through the capital programme.
- 2.64** To consult with the Assistant Director of Financial Services and to seek Executive approval where an Executive Director or Assistant Director proposes to bid for supplementary credit 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

Why is this important?

- 2.65** The Council must decide the level of general reserves it wishes to maintain before it can determine 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 the purchase or renewal of capital items.

Key controls

- 2.66** To maintain reserves in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice* (CIPFA/LASAAC) and agreed accounting policies.
- 2.67** For each reserve established, the purpose, usage and basis of transactions should be clearly identified.
- 2.68** Authorisation and expenditure from reserves by the appropriate Executive Director or Assistant Director in consultation with the Assistant Director of Financial Services and the approval of the Executive.

## **Responsibility of the Assistant Director of Financial Services**

**2.69** To advise the Executive and the Council on prudent levels of reserves for the Authority, and to take account of the advice of the External Auditor in this matter.

## **Responsibility of Executive Directors and Assistant Directors**

**2.70** To ensure that resources are used only for the purposes for which they were intended.

# 3. Risk Management and Control of Resources

## RISK MANAGEMENT

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

- 3.1** All organisations, whether private or public sector, face risks to people, property and continued operations. “Risk” is defined as something happening that may have an impact on the achievement of the Council’s objectives. Risk management is about managing threats and opportunities to create an environment of “no surprises”. Risk management is delivered through the planned and systematic approach to the identification, evaluation and control of risk. Its 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.
- 3.2** It is the overall responsibility of the Executive to approve the Authority’s Risk Management Policy Statement and Strategy, and to promote a culture of risk management awareness throughout the Authority.

### **Key controls**

- 3.3** The key controls for risk management are:
- (a) procedures are in place to identify, assess, prevent or contain material known risks, and these procedures are operating effectively throughout the Authority



- (b) a monitoring process is in place to regularly review 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 Authority 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 Assistant Director of Law and Control**

- 3.4** To prepare and promote the Authority's Risk Management Policy Statement and Strategy.
- 3.5** To develop risk management controls in conjunction with other Executive Directors and Assistant Directors.

### **Responsibilities of the Assistant Director of Financial Services**

- 3.6** To include all appropriate employees of the Authority in a suitable fidelity guarantee insurance.
- 3.7** To effect corporate insurance cover, through external insurance and internal funding, and to negotiate all claims in consultation with other officers, where necessary.

## **Responsibilities of Executive Directors and Assistant Directors**

- 3.8** To notify the Assistant Director of Financial Services immediately of any loss, liability or damage that may lead to a claim against the Authority, together with any information or explanation required by the Assistant Director of Financial Services or the Authority's insurers.
- 3.9** To take responsibility for risk management, having regard to advice from the Assistant Director of Law and Control and other specialist officers (eg crime prevention, fire prevention, health and safety).
- 3.10** To ensure that there are regular reviews of risk within their areas of responsibility.
- 3.11** To notify the Assistant Director of Financial Services promptly of all new risks, properties or vehicles that require insurance and of any alterations affecting existing insurances.
- 3.12** To consult the Assistant Director of Financial Services and the Assistant Director of Law and Control on the terms of any indemnity that the Authority is requested to give.
- 3.13** To ensure that employees, or anyone covered by the Authority'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 CONTROLS**

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

- 3.14** The Authority is complex and beyond the direct control of individuals. It therefore requires internal controls to manage and monitor progress towards strategic objectives.
- 3.15** The Authority has statutory obligations, and, therefore, requires internal controls to identify, meet and monitor compliance with these obligations.

**3.16** The Authority 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.

**3.17** 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**

**3.18** The key controls and control objectives for internal control systems are:

- (a) key controls should be reviewed on a regular basis and the Authority 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 action. 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 2003* and with any other statutory obligations and regulations.

## **Responsibility of the Assistant Director of Financial Services**

**3.19** To assist the Authority to put in place an appropriate control environment and effective internal controls which provide reasonable assurance of effective and efficient operations, financial stewardship, probity and compliance with laws and regulations.

## **Responsibilities of Executive Directors and Assistant Directors**

**3.20** 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.

**3.21** To review existing controls in the light of changes affecting the Authority and to establish and implement new ones in line with guidance from the Assistant Director of Financial Services. Executive Directors and Assistant Directors should also be responsible for removing controls that are unnecessary or not cost or risk effective – for example, because of duplication. Removal of internal controls should only be done in liaison with the Assistant Director of Financial Services.

**3.22** To ensure staff have a clear understanding of the consequences of lack of control.

## **AUDIT REQUIREMENTS**

### **Internal Audit**

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

**3.23** 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 2003

(SI 2003/533), regulation 6, more specifically require that a “relevant body shall maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control”.

**3.24** Accordingly, Internal Audit is an independent and objective appraisal function established by the Authority 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 and fulfillment of the Council’s objectives.

### **Key controls**

**3.25** The key controls for Internal Audit are:

- (a) that it is independent in its planning and operation
- (b) the Head of 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 guideline *Guidance for Internal Auditors*, as interpreted by CIPFA’s *Code of Practice for Internal Audit in Local Government in the United Kingdom 2003*.

### **Responsibilities of the Assistant Director of Financial Services**

**3.26** To ensure that Internal Auditors have the authority to:

- (a) access Authority 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 employee of the Authority to account for cash, stores or any other Authority asset under his or her control
- (e) access records belonging to third parties or obtain information and explanation from third parties, such as contractors, when required

- (f) directly access the Head of Paid Service, all levels of management, the Executive and elected Members.
- 3.27** To approve the strategic and annual audit plans prepared by the Head of Internal Audit, which take account of the characteristics and relative risks of the activities involved.
- 3.28** To ensure that effective procedures are in place to investigate promptly any fraud or irregularity.

### **Responsibilities of Executive Directors and Assistant Directors**

- 3.29** To ensure that Internal Auditors are given access at all reasonable times to premises, personnel, documents and assets that the Internal Auditors consider necessary for the purposes of their work, including those relating to agents of the Council such as contractors.
- 3.30** To ensure that Internal Auditors are provided with any information and explanations that they seek in the course of their work.
- 3.31** To consider and respond promptly to recommendations in Internal Audit reports.
- 3.32** To ensure that any agreed actions arising from Internal Audit recommendations are carried out in a timely and efficient fashion.
- 3.33** To notify the Head of Paid Service, the appropriate Executive Director, the Assistant Director of Financial Services and the Head of Internal Audit immediately of any suspected fraud, theft, irregularity, improper use or misappropriation of the Authority's property or resources. The Executive Director or Assistant Director should subsequently confirm in writing the details relating to the suspected fraud, theft, irregularity, improper use or misappropriation. Pending investigation and reporting, the Executive Director or Assistant Director should take all necessary steps to prevent further loss and to secure

records and documentation against removal or alteration.

- 3.34** To notify and consult the Head of Internal Audit in respect of any proposed changes to the system of internal control including new systems for maintaining financial records, or records of assets, or changes to such systems. Any changes to accounting records and accounting procedures require the consultation and approval of the Assistant Director of Financial Services prior to implementation.

## External Audit

### Why is this important?

- 3.35** The Local Government Finance Act 1982 set up the Audit Commission, which is responsible for appointing External Auditors to each Local Authority in England and Wales. The External Auditor has rights of access to all documents and information necessary for audit purposes.
- 3.36** 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 External 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, including where required the preparation and publication of statutory performance information.
- 3.37** The Authority's accounts are scrutinised by External Auditors, who must be satisfied that the Statement of Accounts 'presents fairly' the financial position of the Authority and its income and expenditure for the year in question and complies with the legal requirements.

## **Key controls**

**3.38** External Auditors are appointed by the Audit Commission normally for a minimum period of five years. The Audit Commission prepares a code of audit practice, which External Auditors follow when carrying out their audits.

## **Responsibilities of the Assistant Director of Financial Services**

**3.39** 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, including those relating to agents of the Council such as contractors.

**3.40** To ensure there is effective liaison between External and Internal Audit.

**3.41** To work with the External Auditor and advise the Council, the Executive, Executive Directors and Assistant Directors on their responsibilities in relation to External Audit.

## **Responsibilities of Executive Directors and Assistant Directors**

**3.42** To ensure that External Auditors are given access at all reasonable times to premises, personnel, documents and assets which the External Auditors consider necessary for the purposes of their work, including those relating to agents of the Council such as contractors.

**3.43** To ensure that all records and systems are up to date and available for inspection.



## PREVENTING FRAUD AND CORRUPTION

### Why is it this important?

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

### Key controls

- 3.47** The key controls regarding the prevention of fraud and irregularities are that:
- (a) the Authority has an effective Anti-Fraud and Corruption Strategy and maintains a culture that will not tolerate fraud or 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 Authority or who are corrupt
  - (d) high standards of conduct are promoted amongst Members by the Standards Committee
  - (e) the maintenance of a record of pecuniary interests of Members and officers
  - (f) the maintenance of a gifts and hospitality register for Members and officers in which any hospitality or gifts offered and/or accepted other than small individual tokens such as pens and calendars must be recorded

- (g) whistle blowing procedures are in place and operate effectively
- (h) legislation including the Public Interest Disclosure Act 1998 is adhered to.

### **Responsibilities of the Assistant Director of Financial Services**

- 3.48** To further develop and maintain the Authority's Anti-Fraud and Corruption Strategy.
- 3.49** To assist the Authority to put in place and maintain adequate and effective internal control arrangements.
- 3.50** To ensure that all suspected irregularities are reported to the Head of Internal Audit.
- 3.51** To ensure that all proven irregularities are reported to the Head of Internal Audit who in liaison with the Assistant Director of Financial Services will determine the appropriate reporting line to the Head of Paid Service, the appropriate Executive Director, the appropriate Assistant Director, the Executive and/or the Council.

### **Responsibilities of the Assistant Director of Law and Control**

- 3.52** To maintain the record of pecuniary interests for Members and officers.
- 3.53** To maintain the register of gifts and hospitality in respect of Members.

### **Responsibilities of Executive Directors and Assistant Directors**

- 3.54** To manage processes to check that established internal controls are being adhered to and to evaluate and review their effectiveness in line with guidance from the Assistant Director of Financial Services.
- 3.55** To ensure that all suspected and actual irregularities are reported immediately to the Assistant Director of Financial

Services, the Head of Paid Service, the appropriate Executive Director, the appropriate Assistant Director and the Head of Internal Audit. The Executive Director or Assistant Director should subsequently confirm in writing the details relating to the suspected or actual fraud, theft, irregularity, improper use or misappropriation.

- 3.56** To instigate the Authority's disciplinary procedures where the outcome of an audit or other investigation indicates improper behaviour.
- 3.57** To ensure that where financial impropriety is discovered, the Assistant Director of Financial Services, the Head of Paid Service, the appropriate Executive Director, the appropriate Assistant Director and the Head of Internal Audit are 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. Any decision to notify the Police will be made by the Head of Paid Service in consultation with the appropriate Executive Director and the Assistant Director of Financial Services.
- 3.58** A register documenting offers of gifts and hospitality to/and acceptance of gifts and hospitality by officers will be maintained in the Wallfields and The Causeway administrative buildings. It is the responsibility of Executive Directors and Assistant Directors to monitor the completion of these records to ensure staff within their area of responsibility complete the register in accordance with instructions issued by the Head of Paid Service.

## ASSETS

### Security

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

**3.59** The Authority 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**

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

- (a) resources are used only for the purposes of the Authority 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 Authority so as to maximise benefits
- (d) an Asset Register is maintained for the Authority, assets are recorded when they are acquired by the Authority 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 Authority's assets and information, including the requirements of the Data Protection Act and software copyright legislation
- (f) all staff are aware of their responsibilities with regard to safeguarding the security of the Authority's computer systems, including maintaining restricted access to the information held on them and compliance with the Authority's computer and internet security policies.

## **Responsibilities of the Assistant Director of Financial Services**

**3.61** To ensure that an Asset Register is maintained in accordance with good practice for all fixed assets with an individual value in excess of £5000. It is also appropriate to record fixed assets of a similar type in the Asset Register where their individual value is less than £5000 but their collective value exceeds £5000 e.g. furniture. The function of the Asset Register is to provide the Authority with information about fixed assets so that they are:

safeguarded  
used efficiently and effectively  
adequately maintained.

**3.62** To receive the information required for accounting, costing and financial records from each Executive Director and Assistant Director.

**3.63** 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 Executive Directors and Assistant Directors**

**3.64** The appropriate Assistant Director shall maintain a property database in a form approved by the Assistant Director of Financial Services for all properties, plant and machinery and moveable assets currently owned or used by the respective division. Any use of property by a division or establishment other than for direct service delivery should be supported by documentation identifying terms, responsibilities and duration of use.

- 3.65** To ensure that lessees and other prospective occupiers of council land are not allowed to take possession or enter the land until a lease or agreement, in a form approved by the Executive Director or Assistant Director in consultation with the Assistant Director of Law and Control, has been established as appropriate.
- 3.66** To ensure the proper security of all buildings and other assets under their control.
- 3.67** Where land or buildings are surplus to requirements, a recommendation for sale should be the subject of a report by the appropriate Executive Director or Assistant Director prepared in consultation with the Assistant Director of Financial Services to the Executive for approval unless it is a disposal under section 135(5) of the Leasehold Reform Housing and Urban Development Act 1993 or a disposal under section 32 or 43 of the Housing Act 1985 where the approval of the Council is required.
- 3.68** To pass title deeds to the Assistant Director of Law and Control who is responsible for custody of all title deeds.
- 3.69** To ensure that no asset of the Authority is subject to personal use by an employee without proper authority.
- 3.70** To ensure the safe custody of vehicles, equipment, furniture, stock, stores and other property belonging to the Authority.
- 3.71** Assistant Directors must ensure that their respective division maintains a register of moveable assets in accordance with arrangements defined by the Assistant Director of Financial Services.
- 3.72** To ensure that assets are identified, their location recorded and that they are appropriately marked and the Assistant Director of Financial Services notified for arrangement of insurance cover.

- 3.73** To consult the Assistant Director of Financial Services in any case where security is thought to be defective or where it is considered that special security arrangements may be needed.
- 3.74** To ensure cash holdings on premises are kept to a minimum.
- 3.75** To ensure that keys to 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 Assistant Director of Financial Services as soon as possible.
- 3.76** To record all disposal or part exchange of assets. Where the estimated residual value of the asset is greater than £1,000 disposal should normally be by competitive tender or public auction, unless, following consultation with the Assistant Director of Financial Services, the Executive agrees otherwise.
- 3.77** To arrange for the valuation of assets for accounting purposes to meet requirements specified by the Assistant Director of Financial Services.
- 3.78** 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 Authority in some way.

#### Inventories

- 3.79** To maintain inventories and record an adequate description of furniture, fittings, equipment, plant and machinery above £50 in value.

- 3.80** To carry out an annual check of all items on the inventory in order to verify location, review condition and to take action in relation to surpluses or deficiencies, annotating the inventory accordingly. Attractive and portable items such as computers, cameras and video recorders should be identified with security markings as belonging to the Authority.
- 3.81** To make sure that property is only used in the course of the Authority's business, unless the appropriate Executive Director or Assistant Director has given permission otherwise.

#### Stocks and stores

- 3.82** To make arrangements for the care and custody of stocks and stores in their area of responsibility.
- 3.83** To ensure stocks are maintained at reasonable levels. At the 31 March in each year or as near to that date as is practicable to undertake a stocktaking of all stores in consultation with the Assistant Director of Financial Services. The Executive Director or Assistant Director may waive the requirement for a complete stock check when a system of continuous stocktaking is in operation. All discrepancies should be investigated and pursued to a satisfactory conclusion.
- 3.84** To investigate and to remove from the Authority's records (ie write off) discrepancies and redundant stock and equipment as necessary. Where the value of write off exceeds £100 and is up to £1000 the approval of the appropriate Executive Director or Assistant Director is required. Where the value of write off is between £1000 and £2500 the approval of the Assistant Director of Financial Services is required. A write off which exceeds £2500 requires the approval of the Executive.



**3.85** To sell or dispose of redundant stocks and equipment. Where the estimated residual value of the stock and equipment is more than £1,000 disposal of such stocks and equipment should be by competitive quotations or auction, unless, following consultation with the Assistant Director of Financial Services, the Executive decides otherwise in a particular case. Where the estimated residual value of the stock is less than £1,000 the appropriate Executive Director or Assistant Director shall have discretion to sell.

Intellectual property

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

**3.86** Intellectual property is a generic term that includes inventions and writing. If these are created by the employee during the course of employment, then, as a general rule, they belong to the employer, not the employee. Various acts of Parliament cover different types of intellectual property.

**3.87** Certain activities undertaken within the Authority may give rise to items that may be patentable, for example, software development. These items are collectively known as intellectual property.

### **Key controls**

**3.88** In the event that the Authority decides to become involved in the commercial exploitation of inventions, the matter should proceed in accordance with the Authority's approved intellectual property procedures.

### **Responsibility of the Assistant Director of Financial Services**

**3.89** To develop and disseminate good practice through the Authority's intellectual property procedures.

## **Responsibility of Executive Directors and Assistant Directors**

**3.90** To ensure that controls are in place to ensure that staff do not carry out private work in council time and that staff are aware of an employer's rights with regard to intellectual property.

Asset disposal

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

**3.91** It would be uneconomic and inefficient for the cost of assets to outweigh their benefits. Obsolete, non-repairable or unnecessary resources should be disposed of in accordance with the law and the regulations of the Authority.

### **Key controls**

**3.92** Assets for disposal are identified and are disposed of at the most appropriate time, and only when it is in the best interests of the Authority, and best price is obtained, bearing in mind other factors, such as environmental issues. For items with an estimated residual value which exceeds £1,000, disposal should be by competitive tender or public auction.

**3.93** Procedures protect staff involved in the disposal from accusations of personal gain.

### **Responsibilities of the Assistant Director of Financial Services**

**3.94** To issue guidelines representing best practice for disposal of assets.

**3.95** To ensure appropriate accounting entries are made to remove the value of disposed assets from the Authority's records and to include the sale proceeds if appropriate.

## **Responsibilities of Executive Directors and Assistant Directors**

- 3.96** To adhere to guidelines issued by the Assistant Director of Financial Services or consult the Assistant Director of Financial Services if these are considered inappropriate.
- 3.97** To seek advice from purchasing advisors on the disposal of surplus or obsolete materials, stores or equipment.
- 3.98** To maximise the net income received from any disposal taking into account the cost of disposal and proceeds from the disposal.
- 3.99** To ensure that income received for the disposal of an asset is properly banked and coded.

Lost property and uncollected goods

## **Responsibilities of Assistant Directors**

- 3.100** Lost property found on any premises belonging to or under the control of the Council must be handed to an officer authorised by the Assistant Director.

Assistant Directors are responsible for making arrangements for lost property to be held in safe custody until returned to a claimant or otherwise disposed of in a manner he or she considers reasonable.

Property is to be handed to claimants without fee or reward on giving evidence of ownership and their names and addresses.

Assistant Directors are responsible for making arrangements for the completion of records of property found and claimants names and addresses.

- 3.101** Goods, which are left in the custody of the Council which remain uncollected, may be disposed of by an Assistant Director, following consultation with the Assistant Director of Law and Control as follows:

- (a) in the case of goods which are perishable or the custody of which involves unreasonable expense or inconvenience, and the Assistant Director is satisfied that the nature of the goods is such that it is not in the public interest that they should be sold, they shall be destroyed or otherwise disposed of in accordance with his or her directions or
- (b) in accordance with the procedure provided by the Torts (Interference with Goods) Act 1977.

## TREASURY MANAGEMENT

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

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

### **Key controls**

**3.103** That the Authority's borrowings and investments comply with the CIPFA *Code of Practice on Treasury Management* and with the Authority's Treasury Management Strategy Statement.

### **Responsibilities of Assistant Director of Financial Services – treasury management and banking**

**3.104** To arrange the borrowing and investments of the Authority in such a manner as to comply with the CIPFA *Code of Practice on Treasury Management* and the Authority's Treasury Management Strategy Statement.

**3.105** To provide to the Executive an annual report on treasury management activities by 30 September of the succeeding financial year.

**3.106** To operate bank accounts as are considered necessary – opening or closing any bank account shall require the approval of the Assistant Director of Financial Services.

**Responsibility of Executive Directors and Assistant Directors – treasury management and banking**

**3.107** To follow the instructions on banking issued by the Assistant Director of Financial Services.

**Responsibilities of Assistant Director of Financial Services – investments and borrowing**

**3.108** To ensure that all investments of money are made in the name of the Authority or in the name of nominees approved by the Council.

**3.109** To hold or make arrangements for the custody of all securities that are the property of the Authority or its nominees and the title deeds of all property in the Authority's ownership.

**3.110** To effect all borrowings in the name of the Authority.

**3.111** To act as the Authority's registrar of stocks, bonds and mortgages and to maintain records of all borrowing and investment of money by the Authority.

**Responsibility of Executive Directors and Assistant Directors – investments and borrowing**

**3.112** To ensure that loans are not made to third parties and that interests are not acquired in companies, joint ventures or other enterprises.

### **Responsibilities of Assistant Director of Financial Services – trust funds and funds held for third parties**

- 3.113** To arrange for all trust funds to be held, wherever possible, in the name of the Authority. All officers acting as trustees by virtue of their official position shall deposit securities, etc relating to the trust with the Assistant Director of Financial Services, unless the deed otherwise provides.
- 3.114** To arrange, where funds are held on behalf of third parties, for their secure administration, approved by the Assistant Director of Financial Services, and to maintain written records of all transactions.
- 3.115** To ensure that trust funds are operated within any relevant legislation and the specific requirements for each trust.
- 3.116** To indemnify any Member or officer appointed by the Council to act as a trustee in respect of any liability that may arise in that capacity unless in the opinion of the Council the Member or officer has been guilty of gross negligence.

### **Responsibilities of the Assistant Director of Financial Services – imprest accounts**

- 3.117** To provide employees of the Authority with cash or bank imprest accounts to meet minor expenditure on behalf of the Authority and to prescribe rules for operating these accounts. Minor items of expenditure should not exceed £25.
- 3.118** To determine the petty cash limit and to maintain a record of all transactions and petty cash advances made, and periodically to review the arrangements for the safe custody and control of these advances.
- 3.119** To reimburse imprest holders as often as necessary to restore the imprests, but normally not more than monthly.

## **Responsibility of Executive Directors and Assistant Directors – imprest accounts**

**3.120** To ensure that employees operating an imprest account:

- (a) obtain and retain vouchers to support each payment from the imprest account. Where appropriate, an official receipted VAT invoice must be obtained
- (b) make adequate arrangements for the safe custody of the account
- (c) produce upon demand by the Assistant Director of Financial Services cash and all vouchers to the total value of the imprest amount
- (d) record transactions promptly
- (e) reconcile and balance the account at least monthly; reconciliation sheets to be signed and retained by the imprest holder
- (f) provide the Assistant Director of Financial Services with a certificate of the value of the account held at 31 March each year
- (g) ensure that the float is never used to cash personal cheques or to make personal loans and that the only payments into the account are the reimbursement of the float and change relating to purchases where an advance has been made
- (h) on leaving the Authority's employment or otherwise ceasing to be entitled to hold an imprest advance, an employee shall account to the Assistant Director of Financial Services for the amount advanced to him or her.

## **STAFFING**

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

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

## **Key controls**

**3.122** 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 that staff time is used efficiently and to the benefit of the Authority
- (d) checks are undertaken prior to employing new staff to ensure that they are appropriately qualified, experienced and trustworthy.

### **Responsibility of the Assistant Director of Financial Services**

**3.123** To ensure that budget provision exists for all existing and new employees.

### **Responsibility of the Assistant Director of Human Resources**

**3.124** To act as an advisor to Executive Directors and Assistant Directors on areas such as National Insurance and pension contributions, as appropriate.

### **Responsibilities of Assistant Directors**

**3.125** In consultation with the Executive Directors to produce an annual staffing budget for his or her division.

**3.126** To ensure that the divisional staffing budget is an accurate forecast of staffing levels and is equated to an appropriate revenue budget provision (including on-costs and overheads).

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



- 3.128** To ensure that the divisional staffing budget is not exceeded without due authority and that it is managed to enable the agreed level of service to be provided.
- 3.129** To ensure that the Executive Directors, the Assistant Director of Human Resources and the Assistant Director of Financial Services are immediately informed if the divisional staffing budget is likely to be materially over-or underspent.

## 4. Financial Systems and Procedures

### GENERAL

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

- 4.1** Divisions have many systems and procedures relating to the control of the Authority's assets, including purchasing, costing and management systems. Divisions 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.
- 4.2** The Assistant Director of Financial Services has a professional responsibility to ensure that the Authority's financial systems are sound and should therefore be notified of any new developments or changes.

#### **Key controls**

The key controls for systems and procedures are:

- (a) basic data exists to enable the Authority'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.

## **Responsibility of the Assistant Director of Financial Services**

- 4.3** To make arrangements for the proper administration of the Authority's financial affairs, including to:
- (a) issue advice, guidance and procedures for officers and others acting on the Authority's behalf
  - (b) determine the accounting systems, form of accounts and supporting financial records
  - (c) establish arrangements for audit of the Authority's financial affairs
  - (d) approve any new financial systems to be introduced
  - (e) approve any changes to be made to existing financial systems.

## **Responsibilities of Assistant Directors**

- 4.4** To establish a scheme of delegation identifying officers authorised to act upon the Assistant Director's behalf in respect of payments, income collection and placing orders, including variations, and showing the limits of their authority.
- 4.5** To supply lists of authorised officers, with specimen signatures and delegated limits, to the Assistant Director of Financial Services, together with any subsequent variations.

## **Responsibilities of Executive Directors and Assistant Directors**

- 4.6** To ensure that accounting records are properly maintained and held securely.
- 4.7** To ensure that vouchers and documents with financial implications are not destroyed, except in accordance with arrangements approved by the Assistant Director of Financial Services. Retention periods are prescribed in Financial Procedure 1.31.

- 4.8** To ensure that a complete management trail, allowing financial transactions to be traced from the accounting records to the original document, and vice versa, is maintained.
- 4.9** To incorporate appropriate controls to ensure that, where relevant:
- (a) all input is genuine, complete, accurate, timely, not previously processed and appropriately authorised
  - (b) all processing is carried out in an accurate, complete and timely manner
  - (c) output from the system is complete, accurate and timely.
- 4.10** To incorporate appropriate controls to ensure that all transactions are genuine, complete, accurate, timely, not previously processed and are appropriately authorised.
- 4.11** To ensure that the organisational structure provides an appropriate segregation of duties to provide adequate internal controls and to minimise the risk of fraud or other malpractice.
- 4.12** 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.
- 4.13** To ensure that systems are documented and staff trained in operations.
- 4.14** To consult with the Assistant Director of Financial Services before changing any existing system or introducing new systems.
- 4.15** 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 and in accordance with the Authority's approved arrangements for disaster recovery and back up.

- 4.16** To advise the Assistant Director of Financial Services so as to ensure that, where appropriate, computer systems are registered in accordance with data protection legislation and that staff are aware of their responsibilities under the legislation.
- 4.17** To ensure that relevant standards and guidelines for computer systems issued by the Assistant Director of Financial Services and the Assistant Director of Communications and Customer Services are observed.
- 4.18** To ensure that computer equipment and software are protected from loss and damage through theft, vandalism, etc.
- 4.19** To comply with the copyright, designs and patents legislation and, in particular, to ensure that:
- (a) only software legally acquired and installed by the Authority is used on its 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

### Income

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

- 4.20** 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 Authority's cashflow and also avoids the time and cost of administering debts.

## Key controls

### 4.21 The key controls for income are:

- (a) all income due to the Authority is identified and charged correctly, in accordance with an approved Charging Policy, which is regularly reviewed
- (b) all income is collected from the correct person, at the right time, using the correct procedures and the appropriate stationery
- (c) all money received by an employee on behalf of the Authority is paid and accounted for without delay to the Assistant Director of Financial Services. 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 defined period in accordance with document retention periods specified in Financial Procedure 1.31
- (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 Assistant Director of Financial Services**

- 4.22** To agree arrangements for the collection of all income due to the Authority and to approve the procedures, systems and documentation for its collection.
- 4.23** To ensure that income other than Cashiers income is paid fully and promptly into the appropriate Authority 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. All money collected including Cashiers income and deposited must be reconciled to the bank account on at least a monthly basis.
- 4.24** To agree the write-off of bad debts up to £2500 in each case and to refer larger sums to the Executive for approval and to keep a record of all sums written off and to adhere to the requirements of the Accounts and Audit Regulations 2003.
- 4.25** To ensure that appropriate accounting adjustments are made following write-off action.

## **Responsibility of Executive Directors**

- 4.26** To establish a charging policy in liaison with the appropriate Assistant Directors and the Assistant Director of Financial Services for the supply of goods or services, including the appropriate charging of VAT, and to review it regularly, in line with corporate policies.

## **Responsibilities of the Assistant Director of Communications and Customer Services**

- 4.27** To ensure that all Cashiers income is paid fully and promptly into the appropriate Authority 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.

**4.28** To order and supply to divisions all receipt forms, books or tickets and similar items and to satisfy himself or herself regarding the arrangements for their control.

### **Responsibilities of Assistant Directors**

**4.29** To separate the responsibility for identifying amounts due and the responsibility for collection, as far as is practicable.

**4.30** To establish and initiate appropriate recovery procedures, including in consultation with the Assistant Director of Law and Control any legal action where necessary, for debts that are not paid promptly.

**4.31** To issue official receipts or to maintain other documentation for income collection.

**4.32** To ensure that at least two employees are present when post is opened so that money received by post is properly identified and recorded.

**4.33** To hold securely receipts, tickets and other records of income for the appropriate period.

**4.34** To lock away all income to safeguard against loss or theft, and to ensure the security of cash handling.

**4.35** To ensure that income is paid fully and promptly into the appropriate Cash Offices administered by the Assistant Director of Communications and Customer Services. Appropriate details should be recorded on the paying-in slips to provide an audit trail. Money collected and deposited must be reconciled on a regular basis and in compliance with instructions issued by the Assistant Director of Financial Services.

**4.36** To ensure income is not used to cash personal cheques or other payments.



- 4.37** To supply the Assistant Director of Financial Services with details relating to work done, goods supplied, services rendered or other amounts due, to enable the Assistant Director of Financial Services to record correctly the sums due to the Authority and to ensure accounts are sent out promptly. Executive Directors and Assistant Directors have a responsibility to assist the Assistant Director of Financial Services in collecting debts that they have originated, by providing any further information requested by the debtor, and in pursuing the matter on the Authority's behalf. Where the Executive Director or Assistant Director is responsible for raising sundry debtor accounts this must be done correctly and in a timely fashion.
- 4.38** To keep a record of every transfer of money between employees of the Authority. The receiving officer must sign for the transfer and the transferor must retain a copy.
- 4.39** To notify the Assistant Director of Financial Services of outstanding income relating to the previous financial year as soon as possible after 31 March in line with the timetable determined by the Assistant Director of Financial Services and not later than 30 April.

Ordering and paying for work, goods and services

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

- 4.40** Public money should be spent with demonstrable probity and in accordance with the Authority's policies. Authorities have a statutory duty to achieve best value in part through economy and efficiency. The Authority's procedures should help to ensure that services obtain value for money from their purchasing arrangements.

These Financial Procedures apply when ordering and paying for work, goods and services generally. Where the estimated value of the procurement exceeds £50,000 the requirements of the Authority's Rules of Procedure Relating to Contracts also apply.

## **General**

- 4.41** Every officer and Member of the Authority 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 Authority, in accordance with appropriate codes of conduct.
- 4.42** Official orders must be in a form approved by the Assistant Director of Financial Services. Official orders must be issued for all work, goods or services to be supplied to the Authority, except for supplies of utilities, periodic payments such as rent or rates, petty cash purchases or other exceptions specified by the Assistant Director of Financial Services.
- 4.43** Each order must conform to the guidelines approved by the Council on central purchasing and the standardisation of supplies and materials. Standard terms and conditions must not be varied without the prior approval of the Assistant Director of Law and Control.
- 4.44** Apart from petty cash, the normal method of payment from the Authority shall be by cheque or other instrument or approved method, drawn on the Authority's bank account by the Assistant Director of Financial Services. The use of direct debit shall require the prior agreement of the Assistant Director of Financial Services.
- 4.45** Official orders must not be raised for any personal or private purchases, nor must personal or private use be made of Authority works, goods or services procured.

## **Key controls**

- 4.46** The key controls for ordering and paying for work, goods and services are:
- (a) all goods and services are ordered only by authorised persons and are correctly recorded

- (b) all goods and services shall be ordered in accordance with the Authority's Procurement Strategy
- (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 Authority 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) payments are authorised for payment by authorised officers in the form of a manuscript signature and the officer authorising the payment should not be the same as the officer who authorised the order or other instrument of procurement
- (g) material transactions are subject to dual authorisation routines
- (h) all appropriate evidence of the transaction and payment documents are retained and stored for the defined period, in accordance with the document retention schedule contained in Financial Procedure 1.31
- (i) all expenditure, including VAT, is accurately recorded against the right budget and any exceptions are corrected
- (j) in addition, the effect of e-business/e-commerce and electronic purchasing requires that processes are in place to maintain the security and integrity of data for transacting business electronically.

### **Responsibilities of the Assistant Director of Financial Services**

**4.47** To ensure that all the Authority's financial systems and procedures are sound and properly administered.

**4.48** To approve any changes to existing financial systems and to approve any new systems before they are introduced.

- 4.49** To approve the form of official orders and associated terms and conditions in liaison with the Assistant Director of Law and Control.
- 4.50** To make payments from the Authority's funds on the Executive Director, Assistant Directors's or delegated officer's authorisation that the expenditure has been duly incurred in accordance with Financial Regulations and Procedures.
- 4.51** To make payments, whether or not provision exists within the estimates, where the payment is specifically required by statute or is made under a court order.
- 4.52** To make payments to contractors on the certificate of the appropriate Executive Director, Assistant Director or delegated officer, which must include details of the value of work, retention money, amounts previously certified and amounts now certified.
- 4.53** To provide advice and encouragement on making payments by the most economical means.
- 4.54** To ensure that a budgetary control system is established.

### **Responsibilities of Assistant Directors**

- 4.55** To ensure that the list of staff approved to authorise orders and payment certificates within their division is maintained and reviewed periodically. Names of authorising officers together with specimen signatures and details of the limits of their authority shall be forwarded to the Assistant Director of Financial Services.
- 4.56** To ensure that only those staff authorised by the appropriate Assistant Director sign orders and payment certificates. 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 necessary.

## **Responsibilities of Executive Directors and Assistant Directors**

- 4.57** To ensure that the Authority's approved unique pre-numbered official orders are used for all goods and services, other than the exceptions specified in 4.42.
- 4.58** To ensure that in the case of orders for works or services the supplier indemnifies the Council against Employers' and Public Liability risks with a MINIMUM cover of £5,000,000 in respect of any one claim or series of claims occurring in connection with or arising out of any one event.
- 4.59** To ensure where a supplier utilises its own conditions of contract/order, that any clause which conflicts with the Council's conditions (contained on the reverse side of an official order of the Council) is referred to the Assistant Director of Law and Control and where there is a conflict with insurance requirements then this is referred to the Insurance Officer.
- 4.60** To ensure that orders are only used for goods and services provided to the Council. Individuals must not use official orders to obtain goods or services for their private use.
- 4.61** Best value principles underpin the Authority's approach to procurement and Executive Directors and Assistant Directors must comply with the Authority's Procurement Strategy and endeavour to obtain value for money.
- a) If work, goods or services are estimated to cost up to £5,000 the price shall be the best reasonably obtainable.
  - b) If work, goods or services are estimated to cost more than £5,000 but up to £50,000 three written quotations shall be obtained. If the authorised procuring officer considers it appropriate to accept a quotation other than the lowest or if he or she considers it is not appropriate to obtain three written quotations (such as in cases of emergency work), then the procuring officer should prepare a written record of the circumstances for approval by the appropriate

Executive Director or Assistant Director and this written record should be retained for at least two years.

- c) If work, goods or services are estimated to cost more than £50,000 the requirements of the Authority's Rules of Procedure Relating to Contracts apply.

**4.62** To ensure that where more than one written quotation is sought, these are opened in the presence of two officers at a specified date and time. A record should be retained for at least two years of the results of the quotations, together with the time, date and signatures of the officers opening the quotations.

**4.63** To ensure that goods and services are checked on receipt to verify that they are in accordance with the order. This check should, where possible, be carried out by a different officer from the person who authorised the order. Appropriate entries should then be made in inventories or stores records.

**4.64** To ensure that payment is not made unless a proper invoice has been received (where VAT is being paid a proper VAT invoice is required), checked, coded and certified for payment, confirming:

- (a) receipt of goods or services
- (b) that the invoice has not previously been paid and is a proper liability of the Authority
- (c) that expenditure has been properly incurred and is within budget provision
- (d) that 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
- (i) where appropriate that appropriate entries will be made in inventories or stores records

- (j) that any amendment to a payment request is made in ink and initialled by the officer making it, stating briefly the reasons where they are not self evident.

**4.65** To ensure that payments are authorised for payment by authorised officers in the form of a manuscript signature and the officer authorising the payment should not be the same as the officer who authorised the order or other instrument of procurement.

**4.66** To ensure that requests for payment, other than loan transactions, over £50,000 are countersigned by an Executive Director or Assistant Director.

**4.67** To ensure that payments are not made on a photocopied or faxed invoice, statement or other document other than the formal invoice. Any instances of these being rendered should be reported to the Head of Internal Audit.

**4.68** To encourage suppliers of goods and services to receive payment by the most economical means for the Authority. It is essential, however, that payments made by direct debit have the prior approval of the Assistant Director of Financial Services.

**4.69** To utilise the Central Purchasing procedures established by the Assistant Director of Communications and Customer Services in putting purchases, where appropriate, out to competitive quotation or tender. These will comply with the Authority's Rules of Procedure Relating to Contracts and will cover:

- (a) authorised officers and the extent of their authority
- (b) advertisement for tenders
- (c) procedure for creating, maintaining and revising a standard list of contractors
- (d) selection of tenderers
- (e) compliance with UK and EC legislation and regulations
- (f) procedures for the submission, receipt, opening and recording of tenders

- (g) the circumstances where financial or technical evaluation is necessary
- (h) procedures for negotiation
- (i) acceptance of tenders
- (j) the form of contract documentation
- (k) cancellation clauses in the event of corruption or bribery

**4.70** To ensure that loans, leasing or rental arrangements are not entered into without prior agreement from the Assistant Director of Financial Services. This is because of the potential impact on the Authority's borrowing powers, to protect the Authority against entering into unapproved credit arrangements and to ensure that value for money is being obtained.

**4.71** To notify the Assistant Director of Financial Services of outstanding expenditure relating to the previous financial year as soon as possible after 31 March in line with the timetable determined by the Assistant Director of Financial Services and, in any case, not later than 30 April.

**4.72** With regard to contracts for construction and alterations to buildings and for civil engineering works, to document and agree with the Assistant Director of Financial Services the systems and procedures to be adopted in relation to financial aspects, including certification of interim and final payments, checking, recording and authorising payments, the system for monitoring and controlling capital schemes and the procedures for validation of subcontractors' tax status.

**4.73** To notify the Assistant Director of Financial Services immediately of any expenditure to be incurred as a result of statute/court order where there is no budgetary provision.

**4.74** To ensure that all appropriate payment records are retained and stored for the defined period, in accordance with the document retention schedule contained in Financial Procedure 1.31.



## Payments to employees and Members

### Why is this important?

**4.75** Staff costs are the largest item of expenditure for most Authority services. It is therefore important that payments are accurate, timely, made only where they are due for services to the Authority and that payments accord with 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 the Council.

### Key controls

**4.76** 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 an approved basis

- (b) monthly reconciliation of payroll expenditure against approved budget, general ledger accounting and the Authority's bank account
- (c) all appropriate payroll documents are retained and stored for the defined period in accordance with the document retention schedule contained in Financial Procedure 1.31
- (d) that Inland Revenue regulations are complied with.

## **Responsibilities of the Assistant Director of Financial Services**

- 4.77** To ensure that all the Authority's financial systems and procedures are sound and properly administered.
- 4.78** To approve any changes to existing financial systems and to approve any new systems before they are introduced.
- 4.79** Following instruction from Assistant Directors, to advise the Head of Human Resources of officers authorised to set up starters and leavers on the Payroll together with specimen signatures.

## **Responsibilities of the Assistant Director of Human Resources**

- 4.80** To arrange and control secure and reliable payment of salaries, wages, compensation or other emoluments to existing and former employees, in accordance with procedures prescribed by him or her, on the due date.
- 4.81** To record and make arrangements for the accurate and timely payment of income tax, superannuation and other deductions.
- 4.82** To make arrangements for payment of all travel and subsistence claims.
- 4.83** To make arrangements for paying Members travel or other allowances upon receiving the prescribed form, duly completed and authorised.
- 4.84** To provide advice and encouragement to secure payment of salaries and wages by the most economical means.

## **Responsibilities of Executive Directors and Assistant Directors**

- 4.85** To ensure that the motor insurance policy of a Member or an employee required to use his or her motor vehicle on Authority business shall cover the official use of the motor vehicle in the service of the Authority. To ensure that Members and employees using their motor vehicle on Authority business submit copies of their driving licence and insurance certificate on an annual basis to the Assistant Director of Human Resources. The Assistant Director of Financial Services may inspect at any time a Member's or an officer's driving licence and any document relating to a vehicle which is used on Authority business.
- 4.86** To ensure appointments are made in accordance with the regulations of the Authority and approved establishments, grades and scale of pay and that adequate budget provision is available.
- 4.87** To ensure all established APT and C posts falling vacant within their areas of responsibility are only filled following consultation with the Executive Directors.
- 4.88** To ensure all time records or other pay documents are in a form prescribed or approved by the Assistant Director of Financial Services and are certified in manuscript by officers authorised in writing by the appropriate Assistant Director and notified to the Assistant Director of Financial Services.
- 4.89** To notify the Assistant Director of Human Resources of all appointments, terminations or variations which may affect the pay or pension of an employee or former employee, in the form and to the timescale required by the Assistant Director of Human Resources.

**4.90** 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 a valid entitlement

conditions and contracts of employment are correctly applied

employees' names listed on the payroll are checked at regular intervals to verify accuracy and completeness.

**4.91** Assistant Directors are required to send to the Assistant Director of Financial Services an up-to-date list of the names of officers authorised to set up starters, leavers and approve amendments to the payroll including officers authorised to sign timesheets and claims, together with specimen signatures.

**4.92** To ensure that payroll transactions are processed only through the payroll system. Executive Directors and Assistant Directors should give careful consideration to the employment status of individuals employed on a self-employed consultant or subcontract basis. The Inland Revenue applies a tight definition for employee status, and in cases of doubt, advice should be sought from the Assistant Director of Human Resources.

**4.93** To ensure all travel and subsistence claims and other allowances claims are certified in manuscript by officers approved in writing by the appropriate Assistant Director and notified to the Assistant Director of Financial Services. No officer may certify their own claims. 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. Due consideration should be given to tax implications and that the Assistant Director of Human Resources is informed where appropriate.

All claims for payment of car allowances, subsistence allowances, travelling and incidental expenses shall be submitted to the Assistant Director of Human Resources in a form approved by him/her made up to a specified day of each month and within seven days thereof.

**4.94** To ensure that the Assistant Director of Human Resources is notified of the details of any employee benefits in kind, to enable full and complete reporting within the income tax self-assessment system.

**4.95** To ensure that all appropriate payroll documents are retained and stored for the defined period in accordance with the document retention schedule contained in Financial Procedure 1.31.

### **Responsibility of Members**

**4.96** To submit to the Assistant Director of Human Resources claims for Members' travel and subsistence allowances on a monthly basis and, in any event, within one month of the year end.

Payments to consultants

### **Responsibility of Executive Directors and Assistant Directors**

**4.97** Subject to there being budgetary provision, Executive Directors and Assistant Directors may appoint consultants following the approval of Directors Board.

## **TAXATION**

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

**4.98** Like all organisations, the Authority is responsible for ensuring its tax affairs are in order. Tax issues are often very complex and the penalties for incorrectly accounting for tax are severe. It is therefore very important for all officers to be aware of their role.

## **Key controls**

**4.99** The key controls for taxation are:

- (a) budget managers are provided with relevant information and kept up to date on tax issues
- (b) budget managers are instructed on required record keeping
- (c) all taxable transactions are identified, properly carried out and accounted for within stipulated timescales
- (d) records are maintained in accordance with instructions
- (e) returns are made to the appropriate authorities within the stipulated timescale.

## **Responsibilities of the Assistant Director of Financial Services**

**4.100** To complete a monthly return of VAT inputs and outputs to HM Customs and Excise.

**4.101** To provide details to the Inland Revenue regarding the construction industry tax deduction scheme.

**4.102** To maintain up-to-date guidance for Authority employees on taxation issues excluding PAYE and National Insurance.

## **Responsibility of the Assistant Director of Human Resources**

**4.103** To complete all Inland Revenue returns regarding PAYE and National Insurance and to maintain up-to-date PAYE and National Insurance guidance for Authority employees.

## **Responsibilities of Executive Directors and Assistant Directors**

- 4.104** To ensure that the correct VAT liability is attached to all income due and that all VAT recoverable on purchases complies with HM Customs and Excise regulations.
- 4.105** To ensure that, where construction and maintenance works are undertaken, the contractor fulfils the necessary construction industry tax deduction requirements.
- 4.106** To ensure that all persons employed by the Authority are added to the Authority'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.
- 4.107** To follow guidance on taxation issued by the Assistant Director of Financial Services and the Assistant Director of Human Resources.

## **TRADING ACCOUNTS AND BUSINESS UNITS**

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

- 4.108** Trading accounts and business units have become more important as local authorities have developed a more commercial culture. Under best value, Authorities are required to keep trading accounts for services provided on a basis other than straightforward recharge of cost. They are also required to disclose the results of significant trading operations in the Best Value Performance Plan.

### **Responsibility of the Assistant Director of Financial Services**

- 4.109** To advise on the establishment and operation of trading accounts and business units.

## **Responsibilities of Executive Directors and Assistant Directors**

- 4.110** To consult with the Assistant Director of Financial Services where a business unit wishes to enter into a contract with a third party where the contract expiry date exceeds the remaining life of their main contract with the Authority. In general, such contracts should not be entered into unless they can be terminated within the main contract period without penalty.
- 4.111** To observe all statutory requirements in relation to business units, including the maintenance of a separate revenue account to which all relevant income is credited and all relevant expenditure, including overhead costs, is charged, and to produce an annual report in support of the final accounts.
- 4.112** To ensure that the same accounting principles are applied in relation to trading accounts as for other services or business units.
- 4.113** To ensure that each business unit prepares an annual business plan.



# 5. External Arrangements

## PARTNERSHIPS

### Why is this important?

- 5.1** 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 some 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.
- 5.2** 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

- 5.3** 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.

- 5.4** 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 give it a right or obligation to support the project.
- 5.5** 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.
- 5.6** Partners have common responsibilities:
- (a) to be willing to take on 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 partnership's 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 a confidential or commercially sensitive nature
  - (f) to act wherever possible as ambassadors for the project.

## **Key controls**

**5.7** The key controls for Authority partners are:

- (a) if appropriate, to be aware of their responsibilities under the Authority's Rules of Procedure, Financial Regulations, Financial Procedures and Procurement Strategy
- (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 Assistant Director of Financial Services**

**5.8** To advise on effective controls that will ensure that resources are not wasted.

**5.9** 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.

**5.10** To ensure that the accounting arrangements are satisfactory.

### **Responsibilities of the Assistant Director of Law and Control**

**5.11** To maintain a register of all contracts entered into with external bodies.

**5.12** To advise on risk management issues.

### **Responsibilities of Executive Directors and Assistant Directors**

**5.13** To ensure that, before entering into agreements with external bodies, a risk management appraisal has been prepared for consideration and approval by the Assistant Director of Law and Control.

**5.14** To ensure that appropriate approvals are obtained before any negotiations are concluded and to comply with any requirements contained within the Authority's Rules of Procedure, Financial Regulations, Financial Procedures and Procurement Strategy.

**5.15** To ensure that any agreements and arrangements do not impact adversely upon the services provided by the Authority.

**5.16** To ensure that all agreements and arrangements are properly documented and forwarded to the Assistant Director of Law and Control for custody.

**5.17** To provide appropriate information to the Assistant Director of Financial Services to enable a note to be entered into the Authority's Statement of Accounts.

## EXTERNAL FUNDING

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

**5.18** 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 Authority. Local Authorities are increasingly encouraged to provide seamless service delivery through working closely with other agencies and private service providers. Funds from external agencies such as the National Lottery and the single regeneration budget provide additional resources to enable the Authority 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 Authority's overall plan.

### **Key controls**

**5.19** 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 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 these requirements.

### **Responsibilities of the Assistant Director of Financial Services**

**5.20** To ensure that all funding notified by external bodies is received and properly recorded in the Authority's accounts.

**5.21** To ensure that the match-funding requirements are considered prior to entering into the agreements and that future revenue budgets reflect these requirements.

**5.22** To ensure that audit requirements are met.

### **Responsibilities of Executive Directors and Assistant Directors**

**5.23** To inform and have agreement from the Assistant Director of Financial Services to any arrangements for external funding to the Authority.

**5.24** To ensure that all claims for funds are made by the due date.

**5.25** To ensure that the project progresses in accordance with the agreed project and that all expenditure is properly incurred and recorded.

### **WORK FOR THIRD PARTIES**

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

**5.26** Current legislation enables the Authority to provide a range of services to other bodies. Such work may enable a unit to maintain economies of scale and existing expertise. Arrangements should be in place to ensure that any risks associated with this work is minimised and that such work is intra vires.

#### **Key controls**

**5.27** The key controls for working with third parties are:

- (a) to ensure that proposals are costed properly in accordance with guidance provided by the Assistant Director of Financial Services
- (b) to ensure that contracts are drawn up using guidance provided by the Assistant Director of Law and Control and that the formal approvals process is adhered to

- (c) to issue guidance with regard to the financial aspects of third party contracts and the maintenance of the contract register.

### **Responsibility of Assistant Director of Financial Services**

- 5.28** To issue guidance with regard to the financial aspects of third party contracts.

### **Responsibility of Assistant Director of Law and Control**

- 5.29** To maintain a register of all contracts entered into with third parties.

### **Responsibilities of Executive Directors and Assistant Directors**

- 5.30** To ensure that the approval of the Executive is obtained before any negotiations are concluded to work for third parties.
- 5.31** To ensure that appropriate insurance arrangements are made.
- 5.32** To ensure that the Authority is not put at risk from any bad debts.
- 5.33** To ensure that no contract is subsidised by the Authority.
- 5.34** To ensure that, wherever possible, payment is received in advance of the delivery of the service.
- 5.35** To ensure that the division/service team has the appropriate expertise to undertake the contract.
- 5.36** To ensure that such contracts do not impact adversely upon the services provided for the Authority.

- 5.37** To ensure that all contracts are properly documented.
- 5.38** To provide appropriate information to the Assistant Director of Financial Services to enable a note to be entered into the Statement of Accounts.



# Rules of Procedure Relating to Contracts

## 1. SCOPE

- 1.1** These Rules of Procedure shall be followed every time the Council enters into a contract for work, materials, goods or services estimated to be over £50,000. The value of the contract relates to the cost of the work, materials, goods or services or income arising from the contract for the duration of the contract. For contracts estimated at £50,000 or less the Financial Regulations and Financial Procedures should be followed.
- 1.2** Best Value legislation shall be followed where applicable, and attention is drawn to the Council's "Corporate Best Value Procurement Strategy" and the "Procurement and Best Value – A Guide for Managers". Executive Directors and Assistant Directors should formally notify the Assistant Director of Law and Control at the earliest opportunity of proposed procurement actions whose estimated expenditure exceeds £50,000. Significant procurement actions will be incorporated into the Procurement Plan and this will contain details of known and anticipated significant contracts.
- 1.3** The European Economic Community Treaty and Directives shall be followed where applicable.
- 1.4** In these Rules of Procedure:
- (a) "the Council" shall be deemed to include reference to the Executive or persons acting in accordance with delegated authority on behalf of the Council or the Executive
  - (b) "most financially favourable tender" means the lowest if payment is made by the Council and the highest if payment is made to the Council
  - (c) "most economically advantageous tender" is where a pre-determined matrix of weighted cost and quality indicators are used to score tenderers bids.

## 2. EXCEPTIONS

2.1 These Rules of Procedure shall not apply in the cases of:

- (a) contracts for the supply of services, goods or materials if:
  - (i) the goods or materials are sold only at a fixed price and no reasonably satisfactory alternative is available, or
  - (ii) the prices of the goods or materials are wholly controlled by trade organisations or Government order and no reasonably satisfactory alternative is available, or
  - (iii) they are approved by a consortium of which the Council is a member, or
  - (iv) a schedule of rates based on competitive tenders has been approved for a particular and specific type of work or for goods or for the supply of materials, or
  - (v) for other reasons where after consultation with the Leader of the Executive the appropriate Executive Director or Assistant Director is satisfied that there would be no genuine competition.
- (b) contracts of insurance
- (c) contracts with professional persons in which the professional skill of those persons is of primary importance and competition is not appropriate
- (d) social housing grant where this is awarded to a registered social landlord approved by the Council
- (e) subject to the procedures relating to key decisions any other exception to these Rules of Procedure in respect of procurements that exceed £50,000 may only be allowed:
  - (i) by the Executive after considering a report by the appropriate Executive Director or Assistant Director prepared in consultation with the Assistant Director of Financial Services. Where the exception is sought by the Assistant Director of Financial Services the report should be made in consultation with the Head of Paid Service or the Assistant Director of Law and Control, or

- (ii) by the Head of Paid Service certifying there is a matter of urgency. First the Head of Paid Service shall determine that it is not practical to convene a quorate meeting of the Council and shall obtain the agreement of the Chairman of a relevant Overview and Scrutiny Committee that the taking of the decision is a matter of urgency. If there is no Chairman of a relevant Overview and Scrutiny Committee, or if the Chairman of each relevant Overview and Scrutiny Committee is unable to act, then the agreement of the Chairman of the Council or in his/her absence the Vice Chairman will suffice. Then the appropriate Executive Director or Assistant Director may take any necessary action which shall be reported to the next meeting of the Executive and then to Council explaining the decision, the reasons for it and why the decision was treated as a matter of urgency.

**2.2** Where an appropriate Executive Director or Assistant Director exercises an exception using Rules of Procedure 2.1 (a), 2.1 (b), 2.1 (c) or 2.1 (d) the appropriate Executive Director or Assistant Director shall prepare a report for noting to the next meeting of the Executive and then to Council. A record of any exceptions shall be made in the minutes of the Executive and Council to which the report is made.

**2.3** No exemption can be used if the EC Procedure applies.

### **3. SIZE OF CONTRACT**

**3.1** Contracts shall be of a size which encourages competition and complies with Best Value legislation.

**3.2** The determination of the size of a contract shall not be made in such a way so as to circumvent these Rules of Procedure.

### **4. EXTENDING EXISTING CONTRACTS**

**4.1** Any decision to extend an existing contract must comply with EU procurement directives.

- 4.2** An Executive Director or Assistant Director may extend contracts on their original terms and conditions provided the capital programme provision for the scheme is not exceeded.
- 4.3** Executive Directors and Assistant Directors must obtain authorisation from the Capital Strategy Group of any proposed extension to a scheme where the resultant estimated expenditure will exceed the capital programme provision for that scheme provided the additional estimated expenditure can be accommodated from within the unallocated Capital Contingency sum for that year. Contracts should be extended on their original terms and conditions.
- 4.4** Where the resultant estimated expenditure of any proposed extension to a scheme exceeds the capital programme provision for that scheme and the remaining capital contingency for that year then the Executive Director or Assistant Director must prepare a report in consultation with the Assistant Director of Financial Services, for consideration by the Capital Strategy Group and then the Executive for subsequent approval by the Council. Contracts should be extended on their original terms and conditions.
- 4.5** An Executive Director or Assistant Director may extend a revenue contract by up to £50,000 on its original terms and conditions subject to having satisfied the Financial Regulations and Financial Procedures in respect of revenue budgets, virements and supplementary revenue votes.

## **5. CONTRACTOR SELECTION CRITERIA**

- 5.1** Under Best Value, procurement decisions must be seen to have considered quality in awarding contracts. These Rules of Procedure require contracts over £50,000 to be awarded to tenderers that submit the “most financially favourable tender” subject to budgetary constraints. This means that “price” is the determining factor when awarding a contract and assumes that quality considerations are covered within the contract specification.
- 5.2** Where a contractor is selected on the basis of “most financially favourable tender” the appropriate Executive Director or Assistant Director must be able to demonstrate in a clear and auditable way

that either:

- (a) price considerations were the only relevant factor in making the selection (given that the contractor meets the Authority's minimum standards of financial, economical and technical capacity), or
- (b) all relevant quality factors have been considered and are incorporated within the specification.

**5.3** Where an appropriate Executive Director or Assistant Director is of the opinion that in order to fully consider quality factors in awarding a contract the "most economically advantageous tender" methodology may be considered to select a contractor. In order to adopt a "most economically advantageous tender" selection methodology the appropriate Executive Director or Assistant Director must prepare a report in consultation with the Assistant Director of Financial Services justifying the preferred course of action and basis of evaluation to the Executive for approval.

## **6. APPOINTING CONTRACTORS**

**6.1** Subject to budgetary constraints, contractors shall be chosen and appointed by the Council or an appropriate Executive Director or Assistant Director by one of the following methods:

- (a) selective tendering from approved contractors under Rule of Procedure 7 below
- (b) open competitive tendering under Rule of Procedure 8 below
- (c) selective tendering by advertisement under Rule of Procedure 9 below
- (d) asking for tenders on behalf of a consortium, association or similar organisation of which the Authority is a member. In these cases the rules of that organisation shall be followed
- (e) asking for tenders under the instructions of another body for which the Authority is acting as agent
- (f) the proposed contract forms part of a serial programme the terms having been negotiated with the contractor on a basis of the rates and prices contained in the initial contract awarded competitively following an invitation to tender in accordance with the provisions of 6.1(a), (b) or (c) above
- (g) it has been determined that certain specific goods or services will be needed on a continuing basis for a prescribed period, but in unascertainable quantities, and

periodic tenders have been invited by the appropriate Executive Director or Assistant Director using whichever of the foregoing procedures he/she considers appropriate.

## **7. SELECTIVE TENDERING FROM APPROVED CONTRACTORS**

- 7.1** The appropriate Executive Director or Assistant Director shall maintain a list of contractors who have been approved by the Executive. The Approved List shall show the type and value of work for which each contractor is approved.
- 7.2** The appropriate Executive Director or Assistant Director may add to the list of approved contractors. He/she shall report his/her additions to the Executive at least every six months.
- 7.3** The Approved List shall be reviewed by the appropriate Executive Director or Assistant Director at least every three years by advertising in an appropriate media vehicle. The advertisement shall invite contractors to apply to go on the Approved List. The advertisement shall give a closing date at least four weeks ahead. Contractors already on the Approved List shall be asked if they want to stay on.
- 7.4** A contractor who in the opinion of the appropriate Executive Director or Assistant Director is unsatisfactory or cannot meet the terms of his/her contract shall be taken off the list immediately and a report submitted to the Executive.
- 7.5** If a contractor is temporarily unable to meet the terms of his/her contract, he/she may be suspended from the list for a length of time decided by the Executive or appropriate Executive Director or Assistant Director.
- 7.6** At least five contractors from any Approved List, appropriate for the type and value of the work, shall be chosen and asked to tender. If there are fewer than five, they shall all be asked to tender. Where less than five contractors are invited to tender, this shall be reported with explanations as a confidential item to the next meeting of the Directors Board.
- 7.7** Where possible, rotation of contractors selected from the Approved List should take place.

## **8. OPEN COMPETITIVE TENDERING**

- 8.1** Tenders shall be invited by an advertisement in an appropriate media vehicle saying what the contract is for and giving a closing date at least four weeks ahead by which tenders shall be received.
- 8.2** The number of contractors to be invited to tender shall be at the discretion of the appropriate Executive Director or Assistant Director, except that not less than five contractors shall be invited to tender, unless it appears to the appropriate Executive Director or Assistant Director that there are fewer than five contractors able to execute the contract. Where less than five contractors are invited, this shall be reported with explanations as a confidential item to the next meeting of the Directors Board.

## **9. SELECTIVE TENDERING BY ADVERTISEMENT**

- 9.1** An advertisement, saying what the contract is for and asking for names of contractors interested in tendering, shall appear in an appropriate media vehicle. The advertisement shall give a closing date at least 10 days away. A copy of the advertisement may be sent to all appropriate approved contractors under Rule of Procedure 7.
- 9.2** After the closing date at least five contractors chosen by the appropriate Executive Director or Assistant Director shall be asked to tender. If there are fewer than five, then those considered suitable shall be asked to tender and this action shall be reported with explanations as a confidential item to the next meeting of the Directors Board.

## **10. SUBMITTING AND OPENING TENDERS**

- 10.1** As far as possible those officers involved in the preparation and submission of an in-house tender document should not be involved in the receipt and evaluation of tenders where the in-house operation is competing.

- 10.2** Where Client Costings are prepared as part of a market testing exercise then these should be prepared and treated as a confidential document prior to the deadline for the submission of tender documents.
- 10.3** Every invitation to tender shall state that a tender will only be considered if it is received, by the time and at the place specified in a sealed plain envelope using the official blue tender label with the title of the contract written on it. There shall be no mention of the sender's name or any other way of identifying them from the envelope.
- 10.4** All tenders shall be dated, timed and signed by the recipient. The Assistant Director of Law and Control shall keep the envelopes and open them at the same time in the presence of at least two Members of the Council who shall sign the tenders.
- 10.5** The Assistant Director of Law and Control shall keep a record of all tenders submitted and their respective values. The record shall be signed by the Members opening the tenders and officers present.

## **11. LATE OR IMPROPER TENDERS**

- 11.1** No tender received in contravention of the conditions specified in Rule of Procedure 10 shall be accepted or considered.
- 11.2** Late and improper tenders shall be returned to the sender. The Assistant Director of Law and Control shall maintain a record of all late and improper tenders under Rule of Procedure 10.

## **12. ERRORS IN TENDERS**

- 12.1** Where examination of tenders reveals errors or discrepancies which would affect the tender figure in an otherwise successful tender, a letter shall be sent by the appropriate Executive Director or Assistant Director giving the tenderer the opportunity of either confirming his/her offer or of amending it to correct genuine errors. Should he/she elect to amend his/her offer and the revised tender is no longer the lowest, the next tender in competitive order is to be examined and dealt with in the same way.



**12.2** If the tenderer elects not to amend his/her offer, an endorsement is required to that effect signed by both parties to the contract. If the tenderer does amend his/her tender figure, and, if appropriate, certain of the rates of his/her bill(s), he/she shall confirm all the alterations in a letter to the appropriate Executive Director or Assistant Director. If the revised tender is eventually accepted, the letter is to be conjoined with the acceptance and the amended tender figure and the rates in it substituted for those of the original tender.

### **13. ACCEPTING TENDERS**

**13.1** No tender shall be accepted or contract signed until the Assistant Director of Financial Services is satisfied with the financial standing of the contractor.

**13.2** The appropriate Executive Director or Assistant Director may accept the most financially favourable tender, provided it is within the approved budget.

**13.3** Executive Directors and Assistant Directors must obtain authorisation from the Capital Strategy Group to accept the most financially favourable tender where the resultant estimated expenditure will exceed the capital programme provision for that scheme provided the additional estimated expenditure can be accommodated from within the unallocated Capital Contingency sum for that year.

**13.4** Where it is proposed to accept a most financially favourable tender and the resultant estimated expenditure exceeds the capital programme provision for that scheme and the remaining capital contingency for that year is insufficient to meet the additional capital expenditure, then the Executive Director or Assistant Director must prepare a report in consultation with the Assistant Director of Financial Services, for consideration by the Capital Strategy Group and then the Executive for subsequent approval by the Council to award the scheme.

- 13.5** The appropriate Executive Director or Assistant Director may accept the most financially favourable tender which is funded from a revenue budget subject to having satisfied the Financial Regulations and Financial Procedures in respect of revenue budgets, virements and supplementary revenue votes.
- 13.6** Subject to the conditions contained in Rule of Procedure 13.2 or 13.3 or 13.4 or 13.5 the Executive may accept a tender which is not the “most financially favourable” after considering a report prepared by the appropriate Executive Director or Assistant Director in consultation the Assistant Director of Financial Services.
- 13.7** The appropriate Executive Director or Assistant Director may accept the most economically advantageous tender, provided it has the best price/quality score calculated in accordance with the basis of evaluation approved by the Executive and provided it is within the approved budget.
- 13.8** Executive Directors and Assistant Directors must obtain authorisation from the Capital Strategy Group where it is proposed to accept the most economically advantageous tender calculated in accordance with the basis of evaluation approved by the Executive and where the resultant estimated expenditure will exceed the capital programme provision for that scheme provided the additional estimated expenditure can be accommodated from within the unallocated Capital Contingency sum for that year.
- 13.9** Where it is proposed to accept the most economically advantageous tender calculated in accordance with the basis of evaluation approved by the Executive and where the resultant estimated expenditure exceeds the capital programme provision for that scheme and the remaining capital contingency for that year is insufficient to meet the additional capital expenditure, then the Executive Director or Assistant Director must prepare a report in consultation with the Assistant Director of Financial Services, for consideration by the Capital Strategy Group and then the Executive for subsequent approval by the Council to award the scheme.

- 13.10** The appropriate Executive Director or Assistant Director may accept the most economically advantageous tender which is funded from a revenue budget subject to having satisfied Rule of Procedure Relating to Contracts 13.7 and the Financial Regulations and Financial Procedures in respect of revenue budgets, virements and supplementary revenue votes.
- 13.11** Subject to the conditions contained in Rule of Procedure 13.7 or 13.8 or 13.9 or 13.10, where it is proposed to accept a tender that has been evaluated on a most economically advantageous basis and the tender does not have the best price/quality score calculated in accordance with the basis of evaluation approved by the Executive, then the Executive Director or Assistant Director must prepare a report in consultation with the Assistant Director of Financial Services, for consideration by the Executive for subsequent approval by the Council to award the scheme.
- 13.12** The results of the tendering exercise shall be reported to the next meeting of the Executive. A report in "Part 1" of the agenda shall contain details of the tender accepted. A confidential report shall be submitted to the same meeting listing all bids submitted by the tenderers in ascending order of value and the tenderers in alphabetical order.
- 13.13** Unsuccessful tenderers should be notified in writing by the appropriate Executive Director or Assistant Director or Consultant within ten days of the acceptance of the successful tender. The unsuccessful tenderers should be advised of all tender prices where tenders have been evaluated solely on the basis of price, or the price/quality scores submitted for the scheme where tenders have been evaluated on a most economically advantageous basis but no reference to the other tenderers' names should be made.
- 13.14** No work on site shall be permitted until contract documentation in a form approved by the Assistant Director of Law and Control has been completed.

## **14. CONTRACTS OVER £50,000**

**14.1** Every contract over £50,000 shall state:

- (a) the work or services to be done or the materials or goods to be supplied
- (b) the price and any discounts
- (c) the time within which the contract is to be carried out
- (d) that the contractor shall not assign the contract without the written approval of the appropriate Executive Director or Assistant Director
- (e) that except where otherwise provided the contractor will not sublet any part of the works without obtaining the written approval of the appropriate Executive Director or Assistant Director
- (f) a requirement to indemnify the Council against Employers' and Public Liability risks with a MINIMUM cover of £5,000,000 in respect of any one accident or series or accidents occurring in connection with or arising out of any one event. (NB Most Employers' Liability policies provide cover without a financial limit).

**14.2** In addition, every contract over £100,000 shall state:

- (a) that the contractor will pay liquidated and ascertained damages, estimated by the appropriate Executive Director or Assistant Director in consultation with the Assistant Director of Financial Services, if he/she fails to meet the terms of the contract. The only exception to this requirement will be where the appropriate Executive Director or Assistant Director, in consultation with the Assistant Director of Financial Services, agrees that no foreseeable loss will result from delay in the contract period
- (b) that, if the contract is not carried out properly or the time limit is not met, the Council may:
  - (i) cancel all or part of the contract
  - (ii) complete the contract
  - (iii) recover from the contractor any additional costs in completing the contract
  - (iv) take other legal action against the contractor.

- 14.3** Every contract over £100,000 for the execution of (a) structural building work or (b) engineering works shall be under seal. All other contracts shall be in a form agreed by the Assistant Director of Law and Control.
- 14.4** Contracts which exceed a value of £250,000 within less than a twelve month duration should be subject to a performance bond unless, following a report prepared by the appropriate Executive Director or Assistant Director in consultation with the Assistant Director of Financial Services, the Executive determine that a performance bond is inappropriate. The Assistant Director of Financial Services may also require a contractor to provide security for completing a contract under £250,000 if he/she considers this is appropriate.
- 14.5** Where a supplier utilises its own conditions of contract, the form of contract must be approved by the Assistant Director of Law and Control.

## **15. NOMINATED SUB-CONTRACTORS AND SUPPLIERS**

- 15.1** Where a sub-contractor or supplier is to be nominated to a main contractor the following rules apply:
- (a) if the estimated value of the sub-contract is under £50,000 the appropriate Executive Director or Assistant Director may nominate the sub-contractor or supplier under Financial Regulations and Financial Procedures.
  - (b) if the estimated value is over £50,000:
    - (i) tendering shall follow these Rules of Procedure
    - (ii) sub-contractors or suppliers shall send with the tender an undertaking to work for the main contractor and to indemnify him/her for the sub-contracted works or materials
    - (iii) the appropriate Executive Director or Assistant Director may only nominate the sub-contractor or supplier who offers the most financially favourable or most economically advantageous tender
    - (iv) the Executive may nominate a sub-contractor or supplier who offers a tender which is not the most

financially favourable or the most economically advantageous after considering a report prepared by the appropriate Executive Director or Assistant Director in consultation with the Assistant Director of Financial Services.

## **16. BRITISH AND EU STANDARDS**

**16.1** Every contract shall state that all goods, materials and work must comply with any relevant standard, specification or Code of Practice issued by the British Standards Institute or any EU standards in force at the date of the tender.

## **17. INSURANCE**

**17.1** Prior to commencement of any work in connection with the contract, full details of the contractor's Employers and Public Liability insurances shall be submitted to and approved in writing by the Assistant Director of Financial Services.

## **18. CORRUPTION: CANCELLING CONTRACTS**

**18.1** Every invitation to tender, and subsequent contract, shall state that the Council may cancel the contract and recover any resulting losses if the contractor or nominated sub-contractor or his/her employees or agents with or without his/her knowledge:

- (a) does anything improper to influence the Authority's Members or officers to give him/her the contract
- (b) commits an offence under the Prevention of Corruption Acts 1889 to 1916 or Section 117(2) of the Local Government Act 1972.

## **19. PAYMENT**

- 19.1** The Financial Regulations and Financial Procedures should be applied when making payments to contractors. Payments shall only be made on the written authorisation of the Executive Director or Assistant Director or delegated officer or outside consultant who is authorised to sign contract certificates or payment vouchers for the contracts supervised.
- 19.2** Where contracts provide for payment to be made by instalments, the Assistant Director of Financial Services shall arrange for the keeping of a Contracts Register to show the state of each contract between the Council and the contractor.

## **20. VARIATIONS**

- 20.1** Every extra or variation shall be accompanied by an estimate of the cost and be authorised by an appropriate officer or outside consultant.
- 20.2** Executive Directors and Assistant Directors must obtain authorisation from the Capital Strategy Group of any proposed variation to a scheme where the resultant estimated expenditure will exceed the capital programme provision for that scheme provided the additional estimated expenditure can be accommodated from within the unallocated Capital Contingency sum for that year.
- 20.3** Where the resultant estimated expenditure of any proposed variation to a scheme exceeds the capital programme provision for that scheme and the remaining capital contingency for that year then the Executive Director or Assistant Director must prepare a report in consultation with the Assistant Director of Financial Services, for consideration by the Capital Strategy Group and then the Executive for subsequent approval by the Council.
- 20.4** Where a proposed variation would result in a scheme's estimated expenditure exceeding the revenue budget the Financial Regulations and Financial Procedures in respect of revenue budgets, virements and supplementary revenue votes should be appropriately applied.

## **21. CONTRACTORS' CLAIMS**

**21.1** Claims for damages, compensation, financial adjustment, loss and expenses and the like for or against contractors shall be considered by the appropriate Executive Director or Assistant Director in consultation with the Assistant Director of Financial Services before a decision is made.

## **22. FINAL CERTIFICATES**

**22.1** The final payment certificate shall not be issued until:

- (a) the appropriate Executive Director or Assistant Director has produced to the Assistant Director of Financial Services a detailed final statement of account and supporting documents, and
- (b) the Assistant Director of Financial Services has confirmed in writing that the final payment certificate may be issued.

## **23. OUTSIDE CONSULTANTS AND TECHNICAL OFFICERS**

**23.1** Outside consultants and technical officers appointed by the Authority shall carry adequate Professional Indemnity Insurance and shall follow the Rules of Procedure Relating to Contracts and the Council's Financial Regulations and Procedures as if they were an appropriate officer. Outside consultants and technical officers' contracts for services shall incorporate a copy of the Rules of Procedure Relating to Contracts, Financial Regulations and Financial Procedures as an appendix.