

Public Document Pack

Southend-on-Sea Borough Council

Legal & Democratic Services

Strategic Director: John Williams

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10 July 2020

THE COUNCIL - THURSDAY, 16TH JULY, 2020

SUPPLEMENTARY PACK: REPORT OF EXECUTIVE DIRECTOR (LEGAL AND DEMOCRATIC SERVICES): CONSTITUTIONAL CHANGES

Please find enclosed, for consideration at the next meeting of the The Council taking place on Thursday, 16th July, 2020, at 6.30pm the following report that was unavailable when the agenda was printed.

**Agenda Item
No**

34 Changes to the Constitution - Contract Procedure Rules and Financial Procedure Rules (Pages 1 - 88)

Report of Executive Director (Legal and Democratic Services) attached

Robert Harris
Principal Democratic Services Officer
Legal & Democratic Services

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Southend-on-Sea Borough Council

Report of Executive Director (Legal and Democratic Services)

to
Council

on

16 July 2020

Agenda
Item No.

34

Report prepared by: John Williams
Executive Director (Legal & Democratic Services)

Changes to the Constitution

Part 1 - Public Agenda Item

1. Purpose of Report

For the Council to agree minor changes to Financial Procedure Rules and Contracts Procedure Rules.

2. Recommendations

2.1 That amendments be made to Financial Procedure Rules as set out in Appendix 1 and that Part 4(f) of the Constitution be amended accordingly.

2.2 That amendments be made to Contracts Procedure Rules as set out in Appendix 2 and that Part 4(g) of the Constitution be amended accordingly.

3. Background

3.1 Minor amendments (highlighted in red) are required to Financial Procedure Rules to:

- Reflect the changes in the Council's senior management structure.
- Recognise and clarify existing delegated approval levels for the appropriate different tiers and job designations of the Council's overall management arrangements.
- Ensure alignment of appropriate approval authority with the Council's financial management system (Business World).
- Update virement limits to more appropriate levels to improve operational efficiency and alignment with similar sized Unitary Authorities (see sections 3.5 – 3.11 on page 25 of Appendix 1)

The proposed amendments to Part 4(f) of the Constitution are set out in Appendix 1 and for the avoidance of doubt no proposed changes are proposed to the existing individual officer delegated approval limits which are set out on in section 1.13 on page 41.

- 3.2 Minor amendments are also required to Contracts Procedure Rules to:
- Reflect the changes in the Council's senior management structure
 - Clarify the Council's named financial management system (Business World)
 - Simplify the thresholds by just naming the OJEU threshold which is numerically reviewed every two years
 - Recognise the new Governance Board structure and reporting lines from Corporate Procurement
 - Highlight the development of a 3-year pipeline plan (from 2020-21) rather than just an annual procurement plan

The proposed amendments to Part 4(g) of the Constitution are set out in **Appendix 2**.

4. Background Papers

None

5. Appendices

Appendix 1 - Proposed amendments to Financial Procedure Rules in Part 4(f) of the Constitution

Appendix 2 - Proposed amendments to Contracts Procedure Rules in Part 4(g) of the Constitution

Part 4(f) – Financial Procedure Rules

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Part 4(f) – Financial Procedure Rules

Status of Financial Procedure Rules

- Financial Procedure Rules provide the framework for managing the Authority’s financial affairs. These Financial Procedure Rules apply to every Councillor and officer of the Authority and anyone acting on its behalf. These Financial Procedure Rules supercede all other Financial Procedure Rules and financial standing orders issued previously.
- Nothing in these Financial Procedure Rules shall be construed as overriding the provisions of legislation or any subordinate regulations from time to time in force.
- The Financial Procedure Rules identify the financial responsibilities of the Full Council, Cabinet Members, Scrutiny Committee members, the Chief Executive (Head of Paid Service), **Deputy Chief Executive** and the **Executive Directors** (hereinafter called “**the CE & Executive Directors**”) **This also includes the Executive Director Legal & Democratic Services (the Monitoring Officer) and Executive Director Finance & Resources (the Chief Finance Officer), who also have their specific statutory responsibilities to administer as identified in these Financial Procedure Rules.**
- The **CE & Executive Directors** should maintain a written record where decision making has been delegated to members of their staff, including seconded and interim staff. Where decisions have been delegated or devolved to other responsible officers, such as nominated Budget Holders, references to the **CE & Executive Directors** in the Financial Procedure Rules should be read as referring to them.
- All Councillors and staff have a general responsibility for taking reasonable action to provide for the security of the assets under their control, and for ensuring that the use of these resources is legal, is properly authorised, provides value for money and achieves best value.
- All Councillors and staff must conduct themselves with the highest standards of integrity and must do their utmost to ensure that suspicions do not arise concerning improper motivation and avoid conflicts of interest.
- The Chief Finance Officer is responsible for maintaining a continuous review of the Financial Procedure Rules and submitting any additions or changes necessary to the Full Council for approval. The Chief Finance Officer is also responsible for reporting, where appropriate, breaches of the Financial Procedure Rules to the Council and / or to the Cabinet.
- The issuing of these Financial Procedure Rules does not preclude the issuing of further instructions on financial matters by the Chief Finance Officer who must be consulted on any aspects of financial administration not contained within these Financial Procedure Rules.
- The Authority’s financial procedures, setting out how the Financial Procedure Rules will be implemented, are contained in the appendices to the Financial Procedure Rules. Detailed procedure notes issued by the Chief Finance Officer in accordance with these Financial Procedure Rules have the same status as the Financial Procedure Rules and therefore must be complied with as if they were contained within the Financial Procedure Rules.
- The **CE & Executive Directors** are responsible for ensuring that all staff in their service areas are aware of the existence and content of the Authority’s Financial Procedure Rules and other internal regulatory documents and that they comply with them.
- The Chief Finance Officer is responsible for issuing advice and guidance to underpin the Financial Procedure Rules that Councillors, officers and others acting on behalf of the Authority are required to follow.

Financial Procedure Rule A: Financial Governance

Introduction

- A1** Financial governance covers all financial accountabilities in relation to the running of the Authority, including the policy framework and budget.

The Full Council

- A2** The Full Council is responsible for adopting the Authority's Constitution and Members' Code of Conduct and for approving the policy framework and budget within which the Cabinet operates.
- A3** The Full Council is responsible for approving and monitoring compliance with the Authority's overall framework of accountability and control and for determining the circumstances in which a decision will be deemed to be contrary to the budget or policy framework. The framework is set out in its Constitution. Decisions should be referred to the Full Council by the Monitoring Officer and / or the Chief Finance Officer. The Full Council is also responsible for approving procedures for agreeing variations to approved budgets, plans and strategies forming the policy framework.
- A4** The Full Council is responsible for approving procedures for recording and reporting decisions taken. This includes those key decisions delegated by and decisions taken by the Council and its committees. These delegations and details of who has responsibility for which decisions are set out in the Constitution. The Full Council is also responsible for monitoring compliance with the agreed policy and related Cabinet decisions.

The Cabinet

- A5** The Cabinet is responsible for proposing the policy framework and budget to the Full Council, and for discharging Executive functions in accordance with the policy framework and budget.
- A6** The Cabinet is responsible for taking in-year decisions on resources and priorities in order to deliver the budget policy framework within the financial limits and in accordance with the scheme of virement set by the Full Council.

Scrutiny Committee(s)

- A7** The Scrutiny Committee(s) are responsible for scrutinising Cabinet decisions before or after they have been implemented and for holding the Cabinet to account. The Scrutiny Committee(s) are also responsible for making recommendations on future policy options and for reviewing the general policy and service delivery of the Authority.

Audit Committee

- A8** The Audit Committee is an advisory body and reports to the Full Council. It has right of access to all the information it considers necessary and can consult directly with internal and external auditors. The Committee is responsible for reviewing the external auditor's reports and the annual audit letter and internal audit's annual report. It is also responsible for adopting the annual statement of accounts. It is also responsible for scrutinising the annual treasury management strategy.

Standards Committee

- A9** The Standards Committee is established by the Full Council and is responsible for promoting and maintaining high standards of conduct amongst Councillors. In particular, it is responsible for advising the Council on the adoption and revision of the Members' Code of Conduct, and for monitoring the operation of the code.

Other Regulatory Committees

- A10** Planning and licensing are not Cabinet functions but are exercised through the multi-party Development Control Committee and the Licensing Committee under powers delegated by the Full Council. The Development Control Committee and the Licensing Committee reports to the Full Council.

The Statutory Officers

Head of Paid Service (Chief Executive)

- A11** The Head of Paid Service is responsible for the corporate and overall strategic management of the Authority as a whole. He or she must report to and provide information for the Cabinet, the Full Council, the Scrutiny Committee(s) and other committees. He or she is responsible for establishing a framework for management direction, style and standards and for monitoring the performance of the organisation. The Head of Paid Service is also responsible, together with the Monitoring Officer, for the system of record keeping in relation to all the Full Council's decisions (see below).

Monitoring Officer (Strategic Executive Director (Legal & Democratic Services)).

- A12** The Monitoring Officer is responsible for promoting and maintaining high standards of financial conduct and therefore provides support to the Standards Committee. The Monitoring Officer is also responsible for reporting any actual or potential breaches of the law or maladministration to the Full Council and / or to the Cabinet, and for ensuring that procedures for recording and reporting key decisions are operating effectively.
- A13** The Monitoring Officer must ensure that Cabinet decisions and the reasons for them are made public. He or she must also ensure that Councillors are aware of decisions made by the Cabinet and of those made by officers who have delegated Executive responsibility.
- A14** The Monitoring Officer is responsible for advising all Councillors and officers about who has Authority to take a particular decision.
- A15** The Monitoring Officer is responsible for advising the Cabinet or Full Council about whether a decision is likely to be considered contrary or not wholly in accordance with the policy framework.
- A16** The Monitoring Officer (together with the Chief Finance Officer) is responsible for advising the Cabinet or Full Council about whether a decision is likely to be considered contrary or not wholly in accordance with the budget.
- A17** The Monitoring Officer is responsible for maintaining an up-to-date Constitution.

Chief Finance Officer (Strategic Executive Director (Finance & Resources))

- A18** The Chief Finance Officer has statutory duties in relation to the financial administration and stewardship of the Authority. This statutory responsibility cannot be overridden. The statutory duties arise from:
- Section 151 of the Local Government Act 1972
 - The Local Government Finance Act 1988
 - The Local Government and Housing Act 1989
 - The Local Government Act 2003
 - The Accounts and Audit Regulations 2015

A19 The Chief Finance Officer is responsible for:

- the proper administration of the's financial affairs
- monitoring compliance with financial management standards
- determining the accounting procedures and records for the Authority and advising on the key financial controls necessary to secure sound financial management
- signing and dating the annual statement of accounts, to certify that it represents a true and fair view of the financial position of the Council
- confirming the robustness of the budget and adequacy of reserves

A20 **Section 114** of the Local Government Finance Act 1988 requires the Chief Finance Officer to report to the Full Council, Cabinet and external auditor if the Authority or one of its officers:

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

Section 114 of the 1988 Act also requires:

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

A21 The Chief Finance Officer is also responsible for:

- setting financial management standards
- advising on the corporate financial position
- providing financial information
- preparing the revenue budget and capital programme
- treasury management
- selecting accounting policies and ensuring that they are applied consistently

A22 The Chief Finance Officer is responsible for ensuring that the annual statement of accounts is prepared in accordance with the *Code Of Practice On Local Authority Accounting In The United Kingdom: A Statement Of Recommended Practice* (CIPFA / LASAAC).

A23 In these Rules “the Chief Finance Officer” means the Council's Chief Finance Officer appointed under S.151 Local Government Act 1972, namely the **Strategic Executive** Director (Finance & Resources).

A24 For the avoidance of doubt in the absence of the Chief Finance Officer, the authorities, responsibilities and duties set out in these Financial Procedure Rules transfer to the nominated Deputy Chief Finance Officer (Head of Corporate Finance).

The CE & Executive Directors

A25 The **CE & Executive Directors** are responsible for:

- ensuring that Cabinet are advised of the financial implications of all proposals and that the financial implications have been agreed by the Chief Finance Officer
- signing contracts on behalf of the Authority

- A26** The **CE & Executive Directors** are responsible for agreeing in-year virements within delegated limits, in consultation with the Chief Finance Officer where required. They must notify the Chief Finance Officer of all virements.
- A27** It is the responsibility of the **CE & Executive Directors** to consult with the Chief Finance Officer and seek approval on any matter liable to affect the Authority's finances materially, before any commitments are incurred.

Financial Procedure Rule B: Financial Planning and Management

Introduction

B1 The Full Council is responsible for agreeing the Authority's policy framework and budget, which will be proposed by the Cabinet. In terms of financial planning, the key elements are:

- the annual revenue budget
- the annual capital programme
- the medium term (four year) revenue and capital financial forecast

These will be produced in conjunction with the Corporate Plan as set by Full Council.

Budgeting

Budget Format

B2 The general format of the budget will be approved by the Full Council and proposed by the Cabinet on the advice of the Chief Finance Officer. The budget includes the allocation of financial resources to different services and projects, proposed contingency funds, the council tax base, setting the council tax and housing rent levels, the prudential indicators, treasury management strategy and the capital programme.

Revenue and Capital Budget Preparation

B3 The Chief Finance Officer is responsible for ensuring that revenue and capital budgets are prepared together with a medium term (four year) revenue and capital financial forecast on an annual basis, for consideration by the Cabinet, before submission to the Full Council. The budget will be prepared within the framework procedure rules as set out in the Council's Constitution.

B4 It is the responsibility of the **CE & Executive Directors** to ensure that budget estimates reflecting agreed service plans are submitted to the Cabinet and that these estimates are prepared in line with any guidance issued by the Cabinet.

B5 It is the responsibility of the Cabinet to ensure that there is proper consultation on the proposed budget prior to its submission to Full Council. The Full Council may then amend the budget or ask the Cabinet to reconsider it before approving it.

B6 The inclusion of items in approved revenue and capital estimates shall constitute Authority to incur such expenditure, save to the extent to which the Full Council or the Cabinet shall have placed a reservation on any such item. Expenditure on any such reserved items may be incurred only when and to the extent that such reservation has been removed.

Budget Monitoring and Control

B7 The Chief Finance Officer is responsible for providing appropriate financial information to the **CE & Executive Directors** to enable budgets to be monitored effectively. He or she must monitor and control expenditure against budget allocations and report to the Cabinet on the overall position on a regular basis.

B8 It is the responsibility of the **CE & Executive Directors** to control income and expenditure within their area and to monitor performance, taking account of financial information provided by the Chief Finance Officer. They should report on variances within their own areas. They should also take any action necessary to avoid exceeding their budget allocation and alert the Chief Finance Officer to any problems.

Emergency and Urgent Expenditure

- B9** Nothing in these Financial Procedure Rules will prevent expenditure outside of the budgetary framework in the event of an emergency situation or one of overriding urgency, subject to certain criteria and actions being satisfied.

Guidelines

- B10** Guidelines on budget preparation may be issued to Councillors and the **CE & Executive Directors** by the Cabinet following agreement with the Chief Finance Officer. Such guidelines will take account of, amongst other things:

- legal requirements
- medium-term planning prospects
- the corporate plan
- available resources
- spending pressures
- joint working with partners
- other internal policy documents
- cross-cutting issues (where relevant)

and any appropriate statutory plans and strategies that form part of the policy framework of the Authority.

Maintenance of Reserves

- B11** It is the responsibility of the Chief Finance Officer, to propose to the Cabinet and / or the Full Council prudent levels of reserves for the Authority.

Financial Procedure Rule C: Risk Management and Control of Resources

Introduction

- C1** It is essential that robust, integrated systems are developed and maintained for identifying and evaluating all significant operational risks to the Authority. This should include the proactive participation of all those associated with planning and delivering services.

Risk Management

- C2** The Cabinet is responsible for approving the Authority's risk management policy statement and strategy and for reviewing the effectiveness of risk management and for promoting it throughout the Authority. The Cabinet is responsible for ensuring that proper insurance exists where appropriate.
- C3** The **Strategic Executive** Director (Transformation) is responsible for preparing the Authority's risk management policy statement and strategy.
- C4** The Chief Finance Officer is responsible for advising the Cabinet on proper insurance cover where appropriate.

Internal Control

- C5** Internal control refers to the systems of control devised by management to help ensure the Authority's objectives are achieved in a manner that promotes economical, efficient and effective use of resources and that the Authority's assets and interests are safeguarded.
- C6** The Chief Finance Officer is responsible for advising on effective systems of internal control. These arrangements need to ensure compliance with all applicable statutes and regulations, and other relevant statements of best practice. They should ensure that public funds are properly safeguarded and used economically, efficiently, and in accordance with the statutory and other authorities that govern their use.
- C7** It is the responsibility of the **CE & Executive Directors** to establish sound arrangements for planning, appraising, authorising and controlling their operations in order to achieve continuous improvement, economy, efficiency and effectiveness and for achieving their financial performance targets.

Audit Requirements

- C8** The Accounts and Audit Regulations 2015 issued by the relevant Secretary of State require every local Authority to maintain an adequate and effective internal audit.
- C9** The Audit Commission (subsequently Public Sector Audit Appointments Limited) is responsible for appointing external auditors to each local Authority. The basic duties of the external auditor are governed by the Code of Audit Practice issued by the Comptroller and Auditor General.
- C10** The Authority may, from time to time, be subject to audit, inspection or investigation by external bodies such as HM Customs and Excise and the Inland Revenue, who have statutory rights of access.

Preventing Fraud and Corruption

- C11** The Chief Finance Officer is responsible for the development and maintenance of an anti-fraud and anti-corruption policy.

Assets

- C12** The **CE & Executive Directors** should ensure that records and assets are properly maintained and securely held. They should also ensure that contingency plans for the security of assets and continuity of service in the event of disaster or system failure are in place.

Staffing

- C13** The Full Council is responsible for determining how officer support for Executive and non-Executive roles within the Authority will be organised.
- C14** The Head of Paid Service is responsible for providing overall management to staff. He or she is also responsible for ensuring that there is proper use of an evaluation or other agreed system for determining the remuneration of a job.
- C15** The **CE & Executive Directors** are responsible for controlling total staff numbers by:
- advising the Cabinet on the budget necessary in any given year to cover estimated staffing levels
 - adjusting the staffing to a level that can be funded within approved budget provision, varying the provision as necessary within that constraint in order to meet changing operational needs
 - the proper use of appointment procedures

Financial Procedure Rule D: Treasury Management and Bank Arrangements

Treasury Management

D1 The Council, in adopting these Financial Procedure Rules, has adopted the key recommendations of CIPFA's Code of Practice on Treasury Management.

D2 The key recommendations are:

Key Recommendation 1 – the Council shall put in place formal and comprehensive objectives, policies and practices, strategies and reporting arrangements for the effective management and control of its' treasury management activities.

Key Recommendation 2 – the Council's policies and practices shall make clear that the effective management and control of risk are prime objectives of its treasury management activities.

Key Recommendation 3 – the Council shall acknowledge that the pursuit of best value in treasury management, and the use of suitable performance measures, are valid and important tools for the Council to employ in support of its business and service objectives; and that within the context of effective risk management, its treasury management policies and practices shall reflect this.

Key Recommendation 4 – in order to achieve the above, the Council shall:

- Adopt a treasury management policy statement, as recommended by the Code
- Follow the recommendations in the Code concerning the creation of Treasury Management Practices

D3 The Council shall create and maintain, as cornerstones for effective treasury management:

- A treasury management policy statement, including the policies and objectives of its treasury management activities
- Suitable treasury management practices (TMPs), setting out the manner in which the Council will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities

D4 The Full Council is responsible for approving the Treasury Management Policy Statement, the Treasury Management Strategy and the Annual Investment Strategy. The documents are proposed to the Full Council by the Audit Committee which has responsibility for their scrutiny. The Chief Finance Officer has delegated responsibility for implementing and monitoring the statement.

D5 All money in the hands of the Authority is controlled by the officer designated for the purposes of section 151 of the Local Government Act 1972.

D6 All decisions on borrowing, investment or financing shall be delegated to the Chief Finance Officer, who is required to act in accordance with CIPFA's *Code of Practice for Treasury Management*.

D7 The Chief Finance Officer is responsible for reporting to the Cabinet not less than four times in each financial years on the activities of the treasury management operation and on the exercise of his or her delegated treasury management powers. One such report will comprise an annual report on treasury management for presentation by 30th September of the succeeding financial year.

Leasing and Other Financial Facilities

D8 The Chief Finance Officer and officers nominated by him or her are the only officers authorised to enter into and sign agreements for leasing and other financial facilities.

Banking Arrangements

- D9** The Chief Finance Officer and officers nominated by him or her are the only officers authorised to open, operate and close a bank account on behalf of the Council.

- D10** The Chief Finance Officer and officers nominated by him or her are the only officers authorised to sign cheques and instigate or arrange other methods of payment.

Financial Procedure Rule E: Financial Systems and Procedures

Introduction

- E1** Sound systems and procedures are essential to an effective framework of accountability and control.

General

- E2** The Chief Finance Officer is responsible for the operation of the Authority's accounting systems, the form of accounts and the supporting financial records. Any changes made by the **CE & Executive Directors** to the existing financial systems or the establishment of new systems must be approved by the Chief Finance Officer. However, the **CE & Executive Directors** are responsible for the proper operation of financial processes in their own service areas.
- E3** Any changes to agreed procedures by the **CE & Executive Directors** to meet their own specific service needs should be agreed with the Chief Finance Officer.
- E4** The **CE & Executive Directors** should ensure that their staff receive relevant financial training that has been approved by the Chief Finance Officer.
- E5** The **CE & Executive Directors** must ensure that, where appropriate, computer and other systems are registered in accordance with data protection legislation. The **CE & Executive Directors** must ensure that staff are aware of their responsibilities under freedom of information legislation.

Income and Expenditure

- E6** It is the responsibility of the **CE & Executive Directors** to ensure that a proper scheme of delegation has been established within their area and is operating effectively. The scheme of delegation should identify staff authorised to act on their behalf, or on behalf of the Cabinet, in respect of payments, income collection and placing orders, together with the limits of their Authority. The Cabinet is responsible for approving procedures for writing off debts as part of the overall control framework of accountability and control.

Payments to Employees Councillors

- E7** The **CE & Executive Directors** are responsible for all payments of salaries and wages to all staff, including payments for overtime, and for payment of allowances Councillors.

Taxation

- E8** The Chief Finance Officer is responsible for advising the **CE & Executive Directors**, in the light of guidance issued by appropriate bodies and relevant legislation as it applies, on all taxation issues that affect the Authority.
- E9** The Chief Finance Officer is responsible for maintaining the Authority's tax records, making all tax payments, receiving tax credits and submitting tax returns by their due date as appropriate.

Trading Accounts / Business Units / Local Authority Trading Companies

- E10** It is the responsibility of the Chief Finance Officer to advise on the establishment and operation of proper financial arrangements for trading accounts, business units and Local Authority Trading Companies.

Financial Procedure Rule F: External Arrangements

Introduction

- F1** The Authority provides a distinctive leadership role for the community and brings together the contributions of the various stakeholders. It must also act to achieve the promotion or improvement of the economic, social or environmental well-being of its area.

Partnerships

- F2** The Cabinet is responsible for approving delegations, including frameworks for partnerships. The Cabinet is the focus for forming partnerships with other local public, private, voluntary and community sector organisations to address local needs.
- F3** The Cabinet can delegate functions – including those relating to partnerships – to officers. These are set out in the scheme of delegation that forms part of the Authority's Constitution. Where functions are delegated, the Cabinet remains accountable for them to the Full Council.
- F4** The Head of Paid Service and officers nominated by him or her represent the Authority on partnership and external bodies, in accordance with the scheme of delegation.
- F5** The Monitoring Officer is responsible for promoting and maintaining the same high standards of conduct with regard to financial administration in partnerships that apply throughout the Authority.
- F6** The Chief Finance Officer must ensure that the accounting arrangements to be adopted relating to partnerships and joint ventures are satisfactory. He or she must also consider the overall corporate governance arrangements and legal issues when arranging contracts with external bodies. He or she must ensure that the risks have been fully appraised before agreements are entered into with external bodies.
- F7** The **CE & Executive Directors** are responsible for ensuring that appropriate approvals are obtained before any negotiations are concluded in relation to work with external bodies.

External Funding

- F8** The Chief Finance Officer is responsible for ensuring that all funding notified by external bodies is received and properly recorded in the Authority's accounts.

Financial Governance

1. Financial Governance Standards

Why is this important?

- 1.1 All staff and Councillors 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 governance standards are:

- (a) their promotion throughout the Authority.
- (b) a monitoring system to review compliance with financial standards, and regular comparisons of performance indicators that are reported to the Cabinet and Full Council.

Responsibility of the Head of Paid Service (Chief Executive)

- 1.3 To establish a framework for management direction, style and standards and for monitoring the performance of the organisation.

Responsibility of the Monitoring Officer

- 1.4 To promote and maintain high standards of financial conduct.
- 1.5 To advise (together with the Chief Finance Officer) the Cabinet or Full Council about whether a decision is likely to be considered contrary or not wholly in accordance with the budget. Actions that may be “contrary to the budget” include
- initiating a new policy
 - committing expenditure in future years to above the budget level
 - incurring interdepartmental transfers above virement limits
 - causing the total expenditure financed from council tax, grants and corporately held reserves to exceed the approved budget

Responsibilities of the Chief Finance Officer

- 1.6 To ensure the proper administration of the financial affairs of the Authority.
- 1.7 To set the financial management standards and to monitor compliance with them.
- 1.8 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.
- 1.9 To advise on the key financial controls necessary to secure sound financial management.
- 1.10 To ensure that financial information is available to enable accurate and timely monitoring and reporting of comparisons of national and local financial performance indicators.
- 1.11 To complete all grant claims and other financial returns required by government departments and other bodies.

Responsibilities of the CE & Executive Directors

- 1.12 To promote the financial management standards set by the Chief Finance Officer in their service areas and to monitor adherence to the standards and practices, liaising as necessary with the Chief Finance Officer.
- 1.13 To promote sound financial practices in relation to the standards, performance and development of staff in their service areas.
- 1.14 To maintain such records as are required to enable the Chief Finance Officer to complete all grant claims and other financial returns required by government departments and other bodies.

2. Accounting Policies

Why is this important?

- 2.1 The Chief Finance Officer 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* (CIPFA / LASAAC), for each financial year ending 31st March.

Key controls

- 2.2 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 a true and fair view of the financial position of the Authority and its expenditure and income.

Responsibilities of the Chief Finance Officer

- 2.3 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 31st March each year.

Responsibilities of the CE & Executive Directors

- 2.4 To adhere to the accounting policies and guidelines approved by the Chief Finance Officer.

3. Accounting Records and Returns

Why is this important?

- 3.1 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 accounts to present a true and fair view of its operations during the year. These are subject to external audit. This audit provides assurance that the accounts are prepared properly, that proper accounting practices have been followed and that quality arrangements have been made for securing economy, efficiency and effectiveness in the use of the Authority's resources.

Key controls

- 3.2** The key controls for accounting records and returns are:
- (a)** all finance staff and budget holders operate within the required accounting standards and timetables.
 - (b)** all the 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 Chief Finance Officer

- 3.3** To determine the accounting procedures and records for the Authority and to arrange for the compilation of all such accounts and accounting records under his or her direction. Where these are maintained outside the finance department, the Chief Finance Officer should consult the CE or Deputy concerned.
- 3.4** To make proper arrangements for the audit of the Authority's accounts in accordance with the Accounts and Audit Regulations 2015.
- 3.5** 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.
- 3.6** To ensure that all claims for funds including grants are made by the due date.
- 3.7** To prepare and publish the audited accounts of the Authority for each financial year, in accordance with the statutory timetable and with the requirement for the Audit Committee to approve the statement of accounts before the statutory deadline.
- 3.8** To administer the Authority's arrangements for under- and overspendings to be carried forward to the following financial year.
- 3.9** To ensure the proper retention of financial documents in accordance with the requirements set out in the Authority's document retention schedule.

Responsibilities of the CE & Executive Directors

- 3.10** To consult and obtain the approval of the Chief Finance Officer before making any changes to accounting records and procedures.
- 3.11** To comply with the principles outlined in paragraph 3.5 when allocating accounting duties.
- 3.12** To maintain adequate records to provide a management trail leading from the source of income / expenditure through to the accounting statements.
- 3.13** To supply information required to enable the statement of accounts to be completed in accordance with guidelines issued by the Chief Finance Officer.

4. The Annual Statement of Accounts

Why is this important?

- 4.1 The Authority has a statutory responsibility to prepare its own accounts to present a true and fair view of its operations during the year. The Audit Committee is responsible for approving the annual statutory statement of accounts.

Key controls

- 4.2 The key controls for the annual statement of accounts are:
- (a) 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.
 - (b) 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* (the Code) (CIPFA / LASAAC).

Responsibilities of the Chief Finance Officer

- 4.3 To select suitable accounting policies and to apply them consistently.
- 4.4 To make judgements and estimates that are reasonable and prudent.
- 4.5 To comply with the Code.
- 4.6 To draw up the timetable for final accounts preparation and to advise staff and external auditors accordingly.
- 4.7 To sign and date the statement of accounts by the statutory deadline, stating that it presents a true and fair view of the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31 March 20xx.

Responsibilities of the **CE & Executive Directors**

- 4.8 To comply with accounting guidance provided by the Chief Finance Officer and to supply the Chief Finance Officer with information when required.

Financial Planning and Management

1. Budgeting

Format of the Budget

Why is this important?

- 1.1 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

- 1.2 The key controls for the budget format are:
- (a) the format complies with all legal requirements.
 - (b) the format reflects the accountabilities of service delivery.

Responsibilities of the Chief Finance Officer

- 1.3 To advise the Cabinet on the format of the budget that is approved by the Full Council.

Responsibilities of the CE & Executive Directors

- 1.4 To comply with accounting guidance provided by the Chief Finance Officer.

Budget Monitoring and Control

Why is this important?

- 1.5 Budget management ensures that once the Full Council has approved the budget, allocated resources 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.
- 1.6 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.
- 1.7 For the purposes of budgetary control by managers, a budget will normally be the planned income and expenditure for a service area or cost centre. However, budgetary control may take place at a more detailed level if this is required by the scheme of delegation of the CE & Deputy concerned.

Key controls

- 1.8** The key controls for managing and controlling the revenue budget are:
- (a)** Budget Holders should be responsible only for income and expenditure that they can influence.
 - (b)** there is a nominated Budget Holder for each cost centre heading.
 - (c)** Budget Holders accept accountability for their budgets and the level of service to be delivered and understand their financial responsibilities.
 - (d)** Budget Holders follow an approved certification process for all expenditure.
 - (e)** income and expenditure 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 budget.

Responsibilities of the Chief Finance Officer

- 1.9** To establish an appropriate framework of budgetary management and control that ensures that:
- (a)** budget management is exercised within annual cash limits unless the Full Council agrees otherwise.
 - (b)** each Department has available timely information on receipts and payments on each budget which is sufficiently detailed to enable managers to fulfil their budgetary responsibilities.
 - (c)** expenditure is committed only against an approved budget head.
 - (d)** all officers responsible for committing expenditure comply with relevant guidance, and the Financial Procedure Rules.
 - (e)** each cost centre has a single named Budget Holder, determined by the CE or Deputy concerned. As a general principle, budget responsibility should be aligned as closely as possible to the decision-making processes that commits expenditure.
 - (f)** significant variances from approved budgets are investigated and reported by Budget Holders regularly.
- 1.10** To administer the Authority's scheme of virement.
- 1.11** To submit reports to the Cabinet and to the Full Council, in consultation with the CE or Deputy concerned, where he/she is unable to balance expenditure and resources within existing approved budgets under his or her control.
- 1.12** To prepare and submit reports on the Authority's projected income and expenditure compared with the budget on a regular basis.

Responsibilities of the CE & Executive Directors

- 1.13** To maintain budgetary control within their service areas, in adherence to the principles in 1.9, and to ensure that all income and expenditure are properly recorded and accounted for.
- 1.14** To ensure that an accountable Budget Holder is identified for each item of income and expenditure under the control of the CE or Deputy concerned (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.

- 1.15 To ensure that spending 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.
- 1.16 To ensure that a monitoring process is in place to review performance levels / levels of service in conjunction with the budget and is operating effectively.
- 1.17 To prepare and submit in conjunction with the Chief Finance Officer reports to Cabinet on the service's projected expenditure compared with its budget.
- 1.18 To ensure compliance with the scheme of virement.
- 1.19 To agree with the CE or Deputy concerned where it appears that a virement proposal may impact materially on another service area or Department's level of service activity.

Budget Preparation and Medium-Term Planning

Why is this important?

- 1.20 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.
- 1.21 The revenue budget must be constructed so as to ensure that resource allocation properly reflects the service plans and priorities of the Full 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 an Authority to budget for a deficit.
- 1.22 Medium-term planning (or a three to five-year planning system) involves a planning cycle in which managers develop their own 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

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

Responsibilities of the Chief Finance Officer

- 1.24 To prepare and submit reports on budget prospects to the Cabinet, including resource constraints set by the Government, in accordance with the approved budget timetable. Reports should take account of medium-term prospects, where appropriate.
- 1.25 To determine the detailed form of revenue estimates and the methods for their preparation, consistent with the budget approved by the Full Council, and after consultation with the Cabinet and the **CE & Executive Directors**
- 1.26 To prepare and submit reports to the Cabinet and Full Council on the aggregate spending plans of the Council and on the resources available to fund them, identifying, where appropriate, the implications for the level of council tax or housing rent levels to be levied in accordance with statutory timetables.

- 1.27 To advise on the medium-term implications of spending decisions.
- 1.28 To encourage the best use of resources and value for money by working with the **CE & Executive 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.
- 1.29 To advise the Full Council on Cabinet proposals in accordance with his or her responsibilities under section 151 of the Local Government Act 1972.

Responsibilities of the CE & Executive Directors

- 1.30 To prepare estimates of income and expenditure, in consultation with the Chief Finance Officer, to be submitted to the Cabinet, in accordance with statutory deadlines.
- 1.31 To prepare budgets that are consistent with any relevant cash limits, with the Authority's annual budget cycle and with guidelines issued by the Cabinet. The format should be prescribed by the Chief Finance Officer in accordance with the Full Council's general directions.
- 1.32 To ensure prior approval by the Full Council for new proposals that:
 - (a) increase the budgetary requirement in current or future years, or
 - (b) change existing policies, initiate new policies or cease existing policies, or
 - (c) materially extend or reduce the Authority's services.

A report on new proposals should explain the full financial implications, following consultation with the Chief Finance Officer. Unless the Full Council has agreed otherwise, the **CE & Executive Directors** must plan to contain the financial implications of such proposals within their cash limit.

- 1.33 To agree with the CE & Deputy concerned where it appears that a budget proposal may impact materially on another service area or Department's level of service activity.
- 1.34 To integrate financial and budget plans into service planning, so that service plans are fully costed and can be incorporated into medium term budget forecasts.
- 1.35 In consultation with the Chief Finance Officer and in accordance with the laid-down guidance and timetable, to prepare detailed draft revenue and capital budgets for consideration by the Cabinet, including proposals for the setting of fees and charges.
- 1.36 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 Full Council in the approved policy framework.
 - (d) Initiatives already under way.

Resource Management

Why is this important?

- 1.37 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 utilised to fulfil all legal responsibilities and minimise the level of waste, inefficiency or loss. Resources may include staff, money, equipment, goods and materials.

Key controls

1.38 The key controls for resource management 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 Chief Finance Officer

1.39 To advise on methods available for the funding of resources, such as grants from central government and borrowing.

1.40 To assist in the allocation of resources to Budget Holders.

Responsibilities of the CE & Executive Directors

1.41 To work within budget limits and to utilise resources allocated in the most efficient, effective and economic way.

1.42 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?

1.43 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.

1.44 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

1.45 The key controls for capital programmes are:

- (a)** Sufficient regard being given to the Capital Strategy adopted by the Full Council.
- (b)** Specific approval by the Full Council for the programme of capital expenditure following recommendation by the Cabinet.
- (c)** A scheme and estimate, including project plan, progress targets and associated revenue expenditure is prepared for each capital project, for approval by the **CE & Executive Directors**.
- (d)** Proposals for improvements and alterations to buildings must be approved the CE or Deputy concerned.
- (e)** Capital procurements should be in accordance with Contract Procedure Rules.
- (f)** The development and implementation of asset management plans.

- (g) Accountability for each proposal is accepted by a named manager.
- (h) Monitoring of scheme progress in conjunction with expenditure and comparison with approved budget.

Responsibilities of the Chief Finance Officer

- 1.46 To prepare capital estimates jointly with the **CE & Executive Directors** and to report them to the Cabinet for approval. The Cabinet will make recommendations on the capital estimates and on any associated financing requirements to the Full Council.
- 1.47 To prepare and submit reports to the Cabinet on the projected income, expenditure and resources compared with the approved estimates.
- 1.48 To issue guidance concerning capital schemes and controls, for example, on project appraisal techniques. The definition of 'capital' will be determined by the Chief Finance Officer, having regard to government regulations and accounting requirements.

Responsibilities of the **CE & Executive Directors**

- 1.49 To comply with guidance concerning capital schemes and controls issued by the Chief Finance Officer.
- 1.50 To ensure that all capital proposals have undergone a project appraisal in accordance with guidance issued by the Chief Finance Officer.
- 1.51 To ensure that all capital procurements are added to the annual procurement plan.
- 1.52 To ensure that adequate records are maintained for all capital contracts.
- 1.53 To proceed with projects only when there is adequate provision in the capital programme and with the agreement of the Chief Finance Officer, where required.
- 1.54 To obtain authorisation from the Cabinet for individual schemes where the estimated expenditure exceeds the capital programme provision.
- 1.55 To prepare and submit reports, jointly with the Chief Finance Officer, to the Cabinet, of any variation in contract costs greater than the approved budget. The Cabinet may meet cost increases by virement from savings elsewhere within their capital programme, save that there can be no transfer of approved budgets between the General Fund and the Housing Revenue Account.
- 1.56 To ensure that credit arrangements, such as leasing agreements, are not entered into without the prior approval of the Chief Finance Officer and, if applicable, approval of the scheme through the capital programme.

Emergency and Urgent Expenditure (Council Procedure Rule 46)

- 1.57 Nothing in these Financial Procedure Rules shall prevent the Chief Executive, **a the** Deputy Chief Executive, **an Strategic Executive** Director or Director from incurring expenditure outside of the budgetary framework which is essential to meet any immediate needs created by a sudden emergency, or which is referable to Section 138 of the Local Government Act 1972, or which is outside the Council's control (e.g. by order of the Courts or any other body with an equivalent power), or which has some other overriding urgency, subject to:
 - (a) It not being practical to convene a quorate meeting of the Full Council.
 - (b) The Chair of the relevant Scrutiny Committee, or in his or her absence the Mayor, or in his or her absence the Deputy Mayor, agreeing that the expenditure is a matter of urgency.

- (c) The matter has first been discussed with the Head of Paid Service and the Chief Finance Officer.
- (d) The reasons why it was impractical to convene a quorate meeting of the Full Council under 1.57(a) and the consent under 1.57b) being noted on the record of the decision.

1.58 Following the decision to incur expenditure outside of the budgetary framework on the grounds of urgency, the relevant Cabinet Member will provide a full report to the next available Full Council meeting explaining the decision, the reasons for it and why the decision was treated as a matter of urgency. The report will also set out the level of expenditure incurred or likely to be incurred under the decision and proposals for the mitigation of the expenditure by the deferment of other expenditure where possible.

2. Maintenance of Reserves

Why is this important?

2.1 The Authority must decide the level of general reserves it wishes to maintain, based on the advice of the Chief Finance Officer, before it can decide the level of council tax. Reserves are maintained as a matter of prudence. They enable the Authority to provide for unexpected events and thereby protect it from overspending, should such events occur. Reserves for specific purposes may also be maintained, such as the purchase or renewal of capital items.

Key controls

2.2 To maintain reserves in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom* (CIPFA / LASAAC) and agreed accounting policies.

2.3 For each reserve established, the purpose, usage and basis of transactions should be clearly identified.

2.4 Authorisation of appropriation to and from reserves by the **CE or Executive Director** concerned in consultation **and agreement** with the Chief Finance Officer.

Responsibilities of the Chief Finance Officer

2.5 To advise the Cabinet and the Full Council on prudent levels of reserves for the Authority.

Responsibilities of the **CE & Executive Directors**

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

3. Managing Expenditure

Scheme of Virement

Why is this important?

3.1 The scheme of virement is intended to enable the Cabinet, the **CE & Executive Directors** and their staff to manage budgets with a degree of flexibility within the overall policy framework determined by the Full Council, and therefore to optimise the use of resources.

3.2 The scheme of virement empowers the **CE & Executive Directors** to manage the resources under his or her control, and therefore to be accountable to the Cabinet and Full Council for their financial performance.

Key controls

3.3 Key controls for the scheme of virement are:

- (a) it is administered by the Chief Finance Officer within guidelines set by the Full Council. Any variation from this scheme requires the approval of the Full Council.
- (b) the overall budget is agreed by the Cabinet and approved by the Full Council. The **CE & Executive Directors** and their nominated Budget Holders are therefore authorised to incur expenditure in accordance with the estimates that make up the budget. The rules below cover virement; that is, switching revenue resources between approved portfolio service budgets or between pay and non-pay budget headings, or capital expenditure between approved capital projects. For the avoidance of doubt, the Chief Finance Officer will maintain a list of approved portfolio service headings and approved capital projects.
- (c) virement does not create additional overall budget liability. The **CE & Executive 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. The **CE & Executive Directors** must plan ahead to fund such commitments from within their own budgets.
- (d) virement between budgets of the Housing Revenue Account and the General Fund, and between revenue and capital budgets is prohibited.

3.4 Where an approved budget is a lump-sum budget, **earmarked reserve** or contingency under the control of the Chief Finance Officer, intended for allocation during the year, its allocation will not be treated as a virement, provided that the amount is used in accordance with the purposes for which it has been established.

Responsibilities of the Chief Finance Officer

- 3.5 To prepare jointly with the **CE & Executive Directors** a report to the Cabinet where cumulative virements on any single approved portfolio service budget, between pay and non-pay budgets within any single approved portfolio service budget, or on any single approved capital project, in excess of £250,000 are proposed.
- 3.6 To maintain a list of approved portfolio service headings.
- 3.7 To maintain a list of approved capital projects.
- 3.8 To maintain a register of approved virements.
- 3.9 To monitor that any allocation of an approved budget that is a lump-sum budget or contingency intended for allocation during the year is in accordance with the purposes for which it was established and the Cabinet approved scheme for its release. Where any proposed allocation falls outside of these conditions, the allocation will be deemed to be a virement and treated accordingly.

Responsibilities of the **CE & Executive Directors**

- 3.10 The **CE & Executive Directors** may exercise virement on budgets under his or her control for amounts up to £100,000 following notification to the Chief Finance Officer.
- 3.11 The **CE & Executive Directors** may exercise virement on budgets under his or her control for amounts between £100,000 and up to **£250,000** subject to the approval of the Chief Finance Officer.

Risk Management and Control of Resources

1. Risk Management

Why is this important?

1.1 All organisations, whether private or public sector, face risks to people, property and continued operations. Risk is the chance or possibility of loss, damage, injury or failure to achieve objectives caused by an unwanted or uncertain action or event. Risk management is the planned and systematic approach to the identification, evaluation and control of risk. 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.

1.2 It is the overall responsibility of the Cabinet 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

1.3 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 review regularly the effectiveness of risk reduction strategies and the operation of these controls. The risk management process should be conducted on a continuing basis.
- (c) Managers know that they are responsible for managing relevant risks and are provided with relevant information on risk management initiatives.
- (d) Provision is made for losses that might result from the risks that remain.
- (e) Procedures are in place to investigate claims within required timescales.
- (f) Acceptable levels of risk are determined and insured against where appropriate.
- (g) The 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 Head of Paid Service (Chief Executive)

1.4 To promote the Authority's risk management policy statement and strategy.

Responsibilities of the **Strategic Executive** Director (Transformation)

1.5 To prepare the Authority's risk management policy statement and strategy in conjunction with the **CE & Executive Director** and the Chief Finance Officer.

Chief Finance Officer

- 1.6 To include all appropriate employees of the Authority in a suitable fidelity guarantee insurance.
- 1.7 To effect corporate insurance cover, through external insurance and internal funding, and periodically review the same.
- 1.8 To negotiate all claims in consultation with other officers, where necessary.

Responsibilities of the CE & Executive Director

- 1.9 To notify the Chief Finance Officer 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 Chief Finance Officer or the Authority's insurers. Only the Chief Finance Officer may negotiate settlement of claims.
- 1.10 To take responsibility for risk management, having regard to advice from the Chief Finance Officer and other specialist officers (e.g. crime prevention, fire prevention, health and safety).
- 1.11 To ensure that there are regular reviews of risk within their service areas.
- 1.12 To notify the Chief Finance Officer promptly of all new risks, properties or vehicles that require insurance and of any alterations affecting existing insurances. In particular notice shall be given of the following:
 - (a) The acquisition of property or other assets whether by ownership, lease agreement, hiring or loan. The CE or Deputy concerned is responsible for maintaining current valuations.
 - (b) Any matters arising from the Council's position as an employer or enabler of voluntary labour.
 - (c) Any matters arising from the carrying out of the Council's functions and services or those in which the Council has an interest.
- 1.13 To consult the Chief Finance Officer and the Monitoring Officer on the terms of any indemnity that the Authority is requested to give.
- 1.14 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.

Responsibilities of the Audit Committee

- 1.15 To assess and approve the corporate risk arrangements and monitor the effective development and operation of good practice risk management and corporate governance arrangements across the Council.

2. Internal Controls

Why is this important?

- 2.1 The Authority is complex and beyond the direct control of individuals. It therefore requires internal controls to manage and monitor progress towards strategic objectives.
- 2.2 The Authority has statutory obligations, and, therefore, requires internal controls to identify, meet and monitor compliance with these obligations.
- 2.3 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.

2.4 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

2.5 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 United Kingdom Public Sector Internal Audit Standards and with any other statutory obligations and regulations.

Responsibilities of the Chief Finance Officer

2.6 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 the CE & Executive Directors

2.7 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.

2.8 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 Chief Finance Officer. The **CE & Executive Directors** should also be responsible for removing controls that are unnecessary or not cost or risk effective – for example, because of duplication.

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

3. Audit Requirements

Internal Audit

Why is this important?

- 3.1** 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 2015, more specifically require that a “relevant Authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance”.
- 3.2** 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.

Key controls

- 3.3** The key controls for internal audit are:
- (a)** That it is independent in its planning and operation.
 - (b)** The Chief Internal Auditor has direct access to the Head of Paid Service, all levels of management and directly to Councillors.
 - (c)** The internal auditors comply with the United Kingdom Public Sector Internal Audit Standards.

Responsibilities of the Chief Finance Officer

- 3.4** 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 immediately account for cash, stores or any other Authority asset under his or her control.
 - (e)** Access records belonging to third parties, such as contractors, when required.
 - (f)** Directly access the Head of Paid Service, the Cabinet and the Audit Committee.

Pursuant to this regulation, the same access rights apply to the Chief Finance Officer in relation to the internal control of the Council.

- 3.5** To approve the strategic and annual audit plans prepared by the Chief Internal Auditor, which take account of the characteristics and relative risks of the activities involved.
- 3.6** To ensure that effective procedures are in place to investigate promptly any fraud or irregularity.

Responsibilities of the Head of Internal Audit

- 3.7** Whenever appropriate, to consult with the CE or Deputy concerned on the timing and nature of audits to avoid unnecessary service disruption.

- 3.8 To consult with the **CE & Executive Directors** on the findings and recommendations of an audit relating to their Department or service area prior to publication.

Responsibilities of the CE & Executive Directors

- 3.9 To ensure that internal auditors are given access at all reasonable times to premises, personnel, documents and assets that the auditors consider necessary for the purposes of their work.
- 3.10 To ensure that auditors are provided with any information and explanations that they seek in the course of their work.
- 3.11 To consider and respond promptly to recommendations in audit reports.
- 3.12 To ensure that any agreed actions arising from audit recommendations are carried out in a timely and efficient fashion.
- 3.13 To notify the Chief Finance Officer immediately of any suspected fraud, theft, irregularity, improper use or misappropriation of the Authority's property or resources. Pending investigation and reporting, the CE or Deputy concerned should take all necessary steps to prevent further loss and to secure records and documentation against removal or alteration.
- 3.14 To ensure that new systems for maintaining financial records, or records of assets, or changes to such systems, are discussed with and agreed by the Head of Internal Audit prior to implementation.
- 3.15 To arrange for procedural and operational notes to be issued to all members of staff operating financial systems or procedures, such notes to be subject to the approval and retention of the Chief Finance Officer.
- 3.16 To ensure that the duty of providing information, calculating, checking and recording sums due to or from the Council shall be separated as completely as possible from the duty of collecting or disbursing those sums.

External Audit

Why is this important?

- 3.17 The external auditor has rights of access to all documents and information necessary for audit purposes.
- 3.18 The Local Audit and Accountability Act 2014 makes the Comptroller and Auditor General responsible for the preparation, publication and maintenance of the Code of Audit Practice. The Code sets out what local auditors are required to do to fulfil their statutory responsibilities under the Act.
- 3.19 The Authority's accounts are scrutinised by external auditors, who must be satisfied that the statement of accounts gives a 'true and fair view' of the financial position of the Authority and its income and expenditure for the year in question and complies with the legal requirements.

Key controls

- 3.20 External auditors are appointed by the Audit Commission (subsequently Public Sector Audit Appointments Limited), normally for a minimum period of five years. The Comptroller and Auditor General prepares a code of audit practice, which external auditors follow when carrying out their audits.

Responsibilities of the Chief Finance Officer

- 3.21 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 records belonging to third parties, such as contractors, when required

- 3.22** To ensure there is effective liaison between external and internal audit.
- 3.23** To work with the external auditor and advise the Full Council, Cabinet, Audit Committee and the **CE & Executive Directors** on their responsibilities in relation to external audit.

Responsibilities of the CE & Executive Directors

- 3.24** 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.
- 3.25** To ensure that all records and systems are up to date and available for inspection.

4. Preventing Fraud and Corruption

Why is this important?

- 4.1** The Authority will not tolerate fraud and corruption in the administration of its responsibilities, whether from inside or outside the Authority.
- 4.2** The Authority's expectation of propriety and accountability is that Councillors and staff at all levels will lead by example in ensuring adherence to legal requirements, rules, procedures and practices.
- 4.3** The Authority also expects that individuals and organisations (e.g. 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

- 4.4** The key controls regarding the prevention of financial irregularities are that:
- (a)** The Authority has an effective anti-fraud and corruption policy and strategy, and maintains a culture that will not tolerate fraud or corruption.
 - (b)** The Authority has an effective anti-money laundering policy and strategy.
 - (c)** All Councillors and staff act with integrity and lead by example.
 - (d)** Senior managers are required to deal swiftly and firmly with those who defraud or attempt to defraud the Authority or who are corrupt.
 - (e)** High standards of conduct are promoted amongst Councillors and Co-opted Members by the Standards Committee.
 - (f)** The maintenance of a register of interests in which any hospitality or gifts accepted must be recorded.
 - (g)** Whistle blowing procedures are in place and operate effectively.

Responsibilities of the Chief Finance Officer

- 4.5** To develop and maintain an anti-fraud and anti-corruption policy.
- 4.6** To maintain adequate and effective internal control arrangements.
- 4.7** To ensure that all suspected irregularities are reported to the Head of Internal Audit, the Head of Paid Service, the Audit Committee and the Cabinet.

Responsibilities of the CE & Executive Directors

- 4.8 To actively apply the requirements of the Anti-Fraud & Corruption Policy and Strategy, the Anti-Money Laundering Policy and Strategy and Whistleblowing Policy.
- 4.9 To ensure that all suspected irregularities are reported to the Head of Internal Audit.
- 4.10 To instigate the Authority's disciplinary procedures where the outcome of an audit investigation indicates improper behaviour.
- 4.11 To ensure that where financial impropriety is discovered, the Chief Finance Officer is informed, and where sufficient evidence exists to believe that a criminal offence may have been committed, the police are called in to determine with the Crown Prosecution Service whether any prosecution will take place.
- 4.12 To maintain a departmental register of interests on Business World (the Hospitality Book).

5. Assets

Security

Why is this important?

- 5.1 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

- 5.2 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 Financial Procedure Rules 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 as set out in the Council's Data Protection Policy 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 Chief Finance Officer

- 5.3 To ensure that an asset register is maintained in accordance with good practice for all fixed assets. The function of the asset register is to provide the Authority with information about fixed assets so that they are:

(a) Safeguarded.

(b) Used efficiently and effectively.

(c) Adequately maintained.

5.4 To receive the information required for accounting, costing and financial records from the **CE & Executive Directors**.

5.5 To ensure that assets are valued in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom* (CIPFA / LASAAC).

Responsibilities of the CE & Executive Directors

5.6 The **CE & Executive** Directors (and the Directors in their service areas) shall maintain a property database in a form approved by the Chief Finance Officer for all properties, plant and machinery and moveable assets currently owned or used by the Authority. Any use of property by a department or establishment other than for direct service delivery should be supported by documentation identifying terms, responsibilities and duration of use.

5.7 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 CE or relevant Deputy in consultation with the Chief Finance Officer, has been established as appropriate.

5.8 To ensure the proper security of all buildings and other assets under their control.

5.9 Where land or buildings are surplus to requirements, a recommendation for sale should be the subject of a joint report by the CE or relevant **Executive Director** and the Chief Finance Officer.

5.10 To pass title deeds to the **Strategic Executive** Director (Legal and Democratic Services) who is responsible for custody of all title deeds.

5.11 To ensure that no Council asset is subject to personal use by an employee without proper Authority.

5.12 To ensure the safe custody of vehicles, equipment, furniture, stock, stores and other property belonging to the Authority.

5.13 To ensure that the department maintains a register of moveable assets in accordance with arrangements defined by the Chief Finance Officer.

5.14 To ensure that assets are identified, their location recorded and that they are appropriately marked and insured.

5.15 To consult the Chief Finance Officer in any case where security is thought to be defective or where it is considered that special security arrangements may be needed.

5.16 To ensure cash holdings on premises are kept to a minimum.

5.17 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 Chief Finance Officer as soon as possible.

5.18 To record all disposal or part exchange of assets that should normally be by competitive tender or public auction, unless, following consultation with the Chief Finance Officer, the Cabinet agrees otherwise.

5.19 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

Responsibilities of the CE & Executive Director

- 5.20** To maintain inventories and record an adequate description of furniture, fittings, equipment, tools, plant and machinery above £500 in replacement value used by their service area.
- 5.21** 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. Any deficiencies identified must be notified to the Chief Finance Officer promptly, indicating where possible the reasons for such deficiency (e.g. theft, loss). Attractive and portable items such as computers, cameras and video recorders should be identified with security markings as belonging to the Authority.
- 5.22** To make sure that property is only used in the course of the Authority's business, unless the CE or Deputy concerned has given permission otherwise.

Stocks and Stores

Responsibilities of the CE & Executive Director

- 5.23** To make arrangements for the care and custody of stocks and stores in their service area, in consultation with the Chief Finance Officer.
- 5.24** To ensure stocks are maintained at reasonable levels and are subject to a regular independent physical check. All discrepancies should be investigated and pursued to the satisfaction of the Chief Finance Officer. Certified records of such stocktaking shall be maintained. The **CE & Executive Directors** shall certify and forward promptly to the Chief Finance Officer a statement of stockholding as at the 31 March of each year.
- 5.25** To investigate and remove from the Authority's records (i.e. write off) discrepancies as necessary, or to obtain Cabinet approval if they are in excess of a predetermined limit.
- 5.26** To authorise for write off and disposal of redundant stocks and equipment. Procedures for disposal of such stocks and equipment should be by competitive quotations or auction, unless, following consultation with the Chief Finance Officer, the Cabinet decides otherwise in a particular case. In all cases disposal should ensure that the best price is obtained, bearing in mind other factors, such as environmental issues
- 5.27** To seek Cabinet approval to the write-off of redundant stocks and equipment in excess of a predetermined sum.

Intellectual Property

Why is this important?

- 5.28** 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.
- 5.29** 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

- 5.30** 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.

Responsibilities of the Chief Finance Officer

- 5.31 To develop and disseminate good practice through the Authority's intellectual property procedures.

Responsibilities of the CE & Executive Directors

- 5.32 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.

Moveable Asset Disposal

Why is this important?

- 5.33 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 Financial Procedure Rules of the Authority.

Key controls

- 5.34 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 of significant value, disposal should be by competitive tender or public auction.
- 5.35 Procedures protect staff involved in the disposal from accusations of personal gain.

Responsibilities of the Chief Finance Officer

- 5.36 To issue guidelines representing best practice for disposal of assets.
- 5.37 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 the CE & Executive Directors

- 5.38 To seek advice from purchasing advisors on the disposal of surplus or obsolete materials, stores or equipment.
- 5.39 To ensure that income received for the disposal of an asset is properly banked and coded.

6. Staffing

Why is this important?

- 6.1 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

- 6.2 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.

Responsibilities of the Chief Finance Officer

- 6.3** To ensure that budget provision exists for all existing and new employees.
- 6.4** To act as an advisor to the **CE & Executive Directors** on areas such as National Insurance and pension contributions, as appropriate.

Responsibilities of the **CE & Executive Directors**

- 6.5** To produce an annual staffing budget consistent with the approved staff establishment.
- 6.6** To ensure that the staffing budget is an accurate forecast of staffing levels and is equated to an appropriate revenue budget provision (including on-costs and overheads).
- 6.7** To monitor staff activity to ensure adequate control over such costs as sickness, overtime, training and temporary staff.
- 6.8** To ensure that the staffing budget is not exceeded without due Authority and that it is managed to enable the agreed level of service to be provided.
- 6.9** To ensure that the Chief Finance Officer is immediately informed if the staffing budget is likely to be materially over- or underspent.

Treasury Management and Bank Arrangements

1. Treasury Management

Why is this important?

- 1.1 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

- 1.2 That the Authority's borrowings and investments comply with the CIPFA *Code of Practice on Treasury Management* and with the Authority's treasury policy statement.

Responsibilities of the Chief Finance Officer

- 1.3 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 policy statement and strategy.
- 1.4 To advise the **CE & Executive Directors** on the Treasury Management Policy Statement, the Treasury Management Strategy and the Annual Investment Strategy to be proposed to the Audit Committee for scrutiny before adoption by Full Council.
- 1.5 To advise the **CE & Executive Directors** on suitable Treasury Management Practices to be proposed to the Audit Committee for adoption.
- 1.6 To report four times a year on treasury management activities undertaken and results achieved to the Cabinet.
- 1.7 To ensure that all investments of money are made in the name of the Authority or in the name of nominees approved by the Full Council.
- 1.8 To ensure that all securities that are the property of the Authority or its nominees and the title deeds of all property in the Authority's ownership are held in safe custody.
- 1.9 To effect all borrowings in the name of the Authority and in accordance with the approved borrowing limits.
- 1.10 To act as the Authority's registrar of stocks, bonds and mortgages and to maintain records of all borrowing of money by the Authority.

Responsibilities of the **CE & Executive Directors**

- 1.11 To ensure that loans are not made to third parties and that interests are not acquired in companies, joint ventures or other enterprises without the approval of the Full Council, following consultation with the Chief Finance Officer.
- 1.12 To propose to the Audit Committee, on the advice of the Chief Finance Officer, the Treasury Management Policy Statement, The Treasury Management Strategy and the Annual Investment Strategy for scrutiny before adoption by Full Council before the commencement of each forthcoming years.
- 1.13 To propose to the Audit Committee, on the advice of the Chief Finance Officer, revisions to the Treasury Management Policy Statement, The Treasury Management Strategy and the Annual

Investment Strategy for scrutiny before adoption by Full Council from time to time as necessary during the financial year.

- 1.14 To propose to the Audit Committee for adoption, on the advice of the Chief Finance Officer, suitable Treasury Management Practices.
- 1.15 To propose, on the advice of the Chief Finance Officer, the Prudential Indicators in accordance with the Prudential Code, before the commencement of each forthcoming financial year.
- 1.16 To report annually to the Cabinet on treasury management activities undertaken and results achieved and the outturn Prudential Indicators in the preceding financial year.

2. Leasing and Other Financial Facilities or Credit Arrangements

Key Controls

- 2.1 The Chief Finance Officer and officers nominated by him or her are the only officers authorised to enter into an agreement for leasing and other financial facilities or credit arrangements.

Responsibilities of the Chief Finance Officer

- 2.2 To evaluate and arrange all leasing and other financial facilities, excluding the short term hiring of equipment for periods of less than one year.

Responsibilities of the CE & Executive Directors

- 2.3 To ensure that credit arrangements, such as leasing agreement, are not entered into without the prior approval of the Chief Finance Officer or his or her nominated officer and, if applicable, approval of the scheme through the capital programme.

3. Bank Accounts and Cheque Security

Key Controls

- 3.1 The key controls for bank accounts and cheque security are:
 - (a) The Chief Finance Officer and officers nominated by him or her are the only officers authorised to open, operate and close a bank account.
 - (b) The Chief Finance Officer and officers nominated by him or her are the only officers authorised to sign cheques and instigate or arrange other methods of payment.

Responsibilities of the Chief Finance Officer

- 3.2 To make arrangements for the opening, operation and closing of Bank, Building Society or other appropriate accounts in respect of Council monies.
- 3.3 To make arrangements for the ordering, safe custody and issue of all cheque stationery. All cheques issued shall be crossed "Account Payee" unless otherwise agreed by the Chief Finance Officer.
- 3.4 To make suitable arrangements for the electronic signature of all computer generated cheques.
- 3.5 To nominate officers responsible for the hand countersigning of any cheque over £100,000.

Responsibilities of the CE & Executive Directors

- 3.6 To follow the instructions on banking issued by the Chief Finance Officer.

4. Trust Funds and Unofficial Funds

Responsibilities of the CE & Executive Directors

- 4.1 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 Chief Finance Officer, unless the deed otherwise provides.
- 4.2 To ensure that trust funds are operated within any relevant legislation and the specific requirements for each trust.
- 4.3 To arrange, where funds are held on behalf of third parties, for their secure administration, approved by the Chief Finance Officer, and to maintain written records of all transactions.
- 4.4 Unofficial funds (for example contributions towards the Mayor's Charity) shall be accounted for and kept separately from all Council monies.
- 4.5 Bank accounts for unofficial funds shall be operated through the Chief Finance Officer.
- 4.6 Receipts shall be issued for all sums collected for any unofficial fund except where deemed unnecessary after consultation with the Chief Finance Officer.
- 4.7 The Chief Finance Officer may consult with the CE & Executive Directors on the form of records and the arrangements for the preparation of accounts for any unofficial fund and may carry out an audit thereon.
- 4.8 The Chief Finance Officer shall be consulted where there is doubt about the utilisation or operation of any unofficial fund.

Financial Systems and Procedures

1. General

Why is this important?

- 1.1 Service areas have many systems and procedures relating to the control of the Authority's assets, including purchasing, costing and management systems. Service areas 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.
- 1.2 The Chief Finance Officer 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

- 1.3 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.

Responsibilities of the Chief Finance Officer

- 1.4 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 the **CE & Executive Directors**

- 1.5 To ensure that accounting records are properly maintained and held securely.
- 1.6 To ensure that vouchers and documents with financial implications are not destroyed, except in accordance with arrangements approved by the Chief Finance Officer.
- 1.7 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.

- 1.8** To incorporate appropriate controls to ensure that, where relevant:
- (a)** All input is genuine, complete, accurate, timely and not previously processed.
 - (b)** All processing is carried out in an accurate, complete and timely manner.
 - (c)** Output from the system is complete, accurate and timely.
- 1.9** 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.
- 1.10** 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.
- 1.11** To ensure that systems are documented and staff trained in operations.
- 1.12** To consult with the Chief Finance Officer before changing any existing system or introducing new systems.
- 1.13** To establish a scheme of delegation identifying officers authorised to act on behalf of the CE or Deputy concerned in respect of payments, purchase orders, contracts and agreements, and showing the limits of their Authority, in accordance with the scheme of delegation table below:

Role	Chief Finance Officer <u>and</u> Head of Paid Service	Chief Finance Officer <u>or</u> Head of Paid Service	Deputy Chief Executive, Executive Director	Strategic Director or Director	Assistant Director, Head of Service, Group Manager	Business Unit Manager	Line Manager
Limit	Unlimited	£10M	£1M	£500,000	£75,000	£25,000	£10,000

The business unit manager and line manager roles are to be determined by the CE or Deputy concerned or **Strategic Executive** Director / Director as appropriate.

- 1.14** To supply lists of authorised officers, with delegated limits, to the Chief Finance Officer, together with any subsequent variations.
- 1.15** Where a role is covered by the employment of an interim, that interim will be able to inherit the delegated Authority limits of the substantive post being covered, at the discretion of the CE or Deputy concerned.
- 1.16** 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.
- 1.17** 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 and the Data Protection Policy.
- 1.18** To ensure that relevant standards and guidelines for computer systems are observed.
- 1.19** To ensure that computer equipment and software are protected from loss and damage through theft, vandalism, etc.
- 1.20** 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.

2. Income

Why is this important?

- 2.1** 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 cash flow and also avoids the time and cost of administering debts.

Key controls

- 2.2** 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)** The method(s) of payment for all systems is determined in conjunction with the Chief Finance Officer.
- (d)** All money received by an employee on behalf of the Authority is paid without delay to the Chief Finance Officer or if so directed, to the Authority's bank account(s), and properly recorded. The responsibility for cash collection should be separated from that for:
 - identifying the amount due
 - reconciling the amount due to the amount received
- (e)** Effective action is taken to pursue non-payment within defined timescales.
- (f)** Formal approval for debt write-off is obtained.
- (g)** Appropriate write-off action is taken within defined timescales.
- (h)** Appropriate accounting adjustments are made following write-off action.
- (i)** All appropriate income documents are retained and stored for the defined period in accordance with the document retention schedule.
- (j)** A person who is not involved in the collection or banking process reconciles money collected and deposited to the bank account.

Responsibilities of the Chief Finance Officer

General

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

Billing

- 2.4** To ensure that all debts to be written off of £25,000 or over are approved by Cabinet.
- 2.5** To issue procedures for the write off of debts below £25,000, and to keep a record of all sums written off up to the approved limit.
- 2.6** To ensure that appropriate accounting adjustments are made following write-off action.

Income Collection

- 2.7 To agree arrangements for the collection of all income due to the Authority and to approve the procedures, systems and documentation for its collection.

Banking

- 2.8 To arrange facilities for the banking and / or collection by a security courier of income as is deemed necessary. Money deposited and collected must be reconciled to the bank account on a regular basis.

Responsibilities of the CE & Executive Directors

- 2.9 To establish a charging policy for the supply of goods or services in consultation with the Chief Finance Officer, including the appropriate charging of VAT, and to review it regularly, in line with corporate policies.
- 2.10 To ensure that only Council employees, or where appropriate agents working to a formal contract, are authorised to bill, collect, bank or otherwise handle council monies, unless prior agreement is obtained from the Chief Finance Officer. Each authorised officer or agent shall use such systems, make such returns and keep such records as the Chief Finance Officer requires or approves.
- 2.11 To separate the responsibility for identifying amounts due and the responsibility for collection, as far as is practicable.

Billing

- 2.12 To raise accounts for any sums due as soon as possible unless otherwise agreed with the Chief Finance Officer.
- 2.13 To notify the Chief Finance Officer promptly of all monies due to the Council and of contracts, leases and other agreements and arrangements entered into which involve the receipt of monies by the Council.
- 2.14 To establish and initiate appropriate recovery procedures, including legal action where necessary, for debts that are not paid promptly. In circumstances in which legal action for recovery is necessary the matter shall be referred to the **Strategic Executive** Director (Legal and Democratic Services) for appropriate action. The **CE & Executive Directors** have a responsibility to assist the Chief Finance Officer and the **Strategic Executive** Director (Legal and Democratic Services) in collecting debts that they have originated, by providing promptly any evidence required for the recovery process to proceed. The **CE & Executive Directors** similarly should not unreasonably withhold any further information requested by the debtor.
- 2.15 To recommend to the Chief Finance Officer all debts to be written off and to keep a record of all sums written off up to the approved limit. Once raised, no bona fide debt may be cancelled, except by full payment or by its formal writing off. An adjustment to a debt can only be made to correct a factual inaccuracy or administrative error in the calculation and / or billing of the original debt.
- 2.16 To notify the Chief Finance Officer of outstanding income relating to the previous financial year as soon as possible after 31 March in line with the timetable determined by the Chief Finance Officer.

Income Collection

- 2.17 To issue official receipts or to maintain other documentation for all income collection. In no circumstances must any form of receipt be used which has not been approved by the Chief Finance Officer.

- 2.18 To ensure that at least two employees are present when post is opened so that money received by post is properly identified, recorded and banked. The form of these systems is to be agreed with the Chief Finance Officer.
- 2.19 To ensure that no unsolicited business cheques (excepting those from financial institutions) are accepted for personal debts unless there is prior individual agreement with the Chief Finance Officer.
- 2.20 To hold securely receipts, tickets and other records of income for the appropriate period.
- 2.21 To lock away all income to safeguard against loss or theft, and to ensure the security of cash handling. Only up to approved levels of cash can be held on the premises.
- 2.22 To ensure income is not used to cash personal cheques or make any other payments.
- 2.23 To ensure the separation of all monies collected from the collecting officer's personal monies and from other official funds.

Banking

- 2.24 To ensure that each authorised officer or agent who prepares money for banking to the credit of the Council's account shall enter on the paying-in slip particulars of such payments including, in the case of each cheque paid in, the amount of the cheque and suitable reference to identify the payee and the account for which the cheque was received. The name of the receiving establishment shall be recorded on the back of each cheque received.
- 2.25 Unless otherwise authorised by the Chief Finance Officer, collecting officers or agents shall bank, pass to an authorised security courier or pay over to the Chief Finance Officer at agreed intervals, all monies collected to the time of banking, collection or payment over.
- 2.26 To keep a record of every transfer of money between employees of the Authority and / or any security courier. The receiving officer must sign for the transfer and the transferor must retain a copy.

3. Expenditure

Ordering and Paying for Work, Goods and Services

Why is this important?

- 3.1 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 procedures should be read in conjunction with the Authority's Contract Procedure Rules.

General

- 3.2 Every officer and Councillor 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.
- 3.3 Official orders must be in a form approved by the Chief Finance Officer. Official orders must be issued for all work, goods or services to be supplied to the Authority, except for payment types specified by the Chief Finance Officer as listed in section 8.6 (Payment without Purchase Order) of the Contract Procurement Rules. Where due to an emergency situation goods are supplied or works are executed without the Authority of an official order, a confirmatory order shall be issued as soon as is practical after the verbal order.

- 3.4** Where items of similar work require to be undertaken, similar goods to be purchased or similar services to be provided, individual elements may not be placed by the issue of orders without consideration of the total sum with reference to Contract Procedure Rules.
- 3.5** Apart from petty cash and schools' own bank accounts the normal method of payment from the Authority shall be by electronic transfer or other instrument or approved method, drawn on the Authority's bank account by the Chief Finance Officer. The use of direct debit shall require the prior agreement of the Chief Finance Officer.
- 3.6** The use of Corporate procurement cards shall be in accordance with the guidance and rules issued by the Chief Finance Officer.
- 3.7** Official orders must not be raised for any personal or private purchases, nor must personal or private use be made of Authority contracts.

Key controls

- 3.8** The key controls for ordering and paying for work, goods and services are:
- (a)** All goods and services are ordered only by appropriate persons and are correctly recorded.
 - (b)** All goods and services shall be ordered in accordance with the Authority's Contract Procedure Rules.
 - (c)** Except in the case of emergency or extreme urgency, orders will only be made where there is sufficient uncommitted budgetary provision to fund the proposed purchase.
 - (d)** Goods and services received are checked to ensure they are in accordance with the order. Goods should not be received by the person who placed the order.
 - (e)** Payments are not made unless goods have been received by the Authority to the correct price, quantity and quality standards.
 - (f)** All payments are made to the correct person, for the correct amount and are properly recorded, regardless of the payment method.
 - (g)** All appropriate evidence of the transaction and payment documents are retained and stored for the defined period, in accordance with the document retention schedule.
 - (h)** All expenditure, including VAT, is accurately recorded against the right budget and any exceptions are corrected.
 - (i)** 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 Chief Finance Officer

- 3.9** To approve the form of official orders and associated terms and conditions.
- 3.10** To make payments from the Authority's funds on the authorisation of the CE or Deputy concerned that the expenditure has been duly incurred in accordance with Financial Procedure Rules.
- 3.11** 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.
- 3.12** To make payments to contractors on the certificate of the CE or Deputy concerned, which must include details of the value of work, retention money, amounts previously certified and amounts now certified.

- 3.13** To provide advice and encouragement on making payments by the most economical means.
- 3.14** To ensure that a budgetary control system is established that enables commitments incurred by placing orders to be shown against the appropriate budget allocation so that they can be taken into account in budget monitoring reports.
- 3.15** To ensure that all the Authority's financial systems and procedures are sound and properly administered.
- 3.16** To approve any changes to existing financial systems and to approve any new financial systems before they are introduced.
- 3.17** To issue and maintain guidance and rules in relation to the use of Corporate Procurement Cards.

Responsibilities of the CE & Executive Directors

- 3.18** To ensure that all expenditure incurred and committed is in accordance with the Council's standing orders, Contract Procedure Rules and these Financial Procedure Rules.
- 3.19** To ensure that official orders as approved by the Chief Finance Officer are used for all goods and services, other than the exceptions specified in 3.3.
- 3.20** To ensure that orders are only used for goods and services provided to the department. Individuals must not use official orders to obtain goods or services for their private use.
- 3.21** To ensure that only those staff designated by him or her authorise orders. 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 the order is correctly coded, and that quotations or tenders have been obtained if necessary. Best value principles should underpin the Authority's approach to procurement. Value for money should always be achieved.
- 3.22** To ensure that goods and services are checked on receipt to verify that they are in accordance with the order. A different officer from the person who authorised the order should where possible, carry out this check.
- 3.23** To ensure that payment is not made unless a proper VAT invoice has been received, checked, coded and certified for payment, confirming:
 - (a)** Receipt of goods or services.
 - (b)** That the invoice has not previously been paid.
 - (c)** That the invoice has been prepared by the supplier and not by any employee of the Council.
 - (d)** That the invoice shall not be altered in any way, such as handwriting of PO number or cost centre.
 - (e)** That discounts have been taken where available.
- 3.24** Where any invoice is received directly in departments, to ensure that it is passed for payment to the Chief Finance Officer in a timely fashion.
- 3.25** To ensure that two authorised members of staff are involved in the ordering, receiving and payment process. A different officer from the person who authorised the order shall goods receive against the order.
- 3.26** For payments, other than for goods, services and work, for which an invoice is not available (for instance the payment of grant aid) an expenditure voucher form shall be duly completed and certified and dealt with as an invoice under these Financial Procedure Rules.

- 3.27 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 Chief Finance Officer.
- 3.28 To ensure that the department obtains best value from purchases by taking appropriate steps to obtain competitive prices for goods and services of the appropriate quality, with regard to the best practice guidelines contained in the Authority's Contract Procedure Rules.
- 3.29 To ensure that loans, leasing or rental arrangements are not entered into without prior agreement from the Chief Finance Officer. 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.
- 3.30 To notify the Chief Finance Officer of outstanding expenditure relating to the previous financial year as soon as possible after 31 March in line with the timetable determined by the Chief Finance Officer.
- 3.31 To arrange for any supplier that falls within the "Construction Industry Scheme" (CIS) to be set up on the financial system as a CIS supplier with their Unique Tax Reference (UTR). To arrange for all requisitions to CIS suppliers to include the appropriate split of labour and materials. The Chief Finance Officer shall arrange for the UTRs to be verified by HM Revenue & Customs and for the appropriate CIS returns and payments to be made.
- 3.32 To ensure that all appropriate payment records are retained and stored for the defined period, in accordance with the document retention schedule.

Contract Payments

- 3.33 Contracts within the scope of this section are defined as those that require completion of formal contract documentation to enable compliance with Contract Procedure Rules. This section should be read in conjunction with those rules. This includes work under a schedule of rates and those instances where individual items of work or services placed by orders require a formal contract for the totality of the services or works. Excluded are instances where the Council is the contractor.

Responsibilities of the Chief Finance Officer

- 3.34 To keep a register of contracts entered into by the Council and of payments made under such contracts.
- 3.35 To comment on the financial viability of the potential contractor and recommend if appropriate contract and / or annual limits, unless otherwise determined by some other method adopted by the Council.
- 3.36 To issue appropriate guidelines concerning the calculation of bonds and liquidated damages.

Responsibilities of the CE & Executive Directors

- 3.37 To comply with the requirements of the Contract Procurement Rules.
- 3.38 To adhere to any guidelines issued by the Chief Finance Officer concerning the calculation of bonds and liquidated damages.
- 3.39 To inform the Chief Finance Officer without delay, and in any case before the first payment of monies becomes due, of every contract entered into.

4. Petty Cash Accounts and Cash Floats

Why is this important?

- 4.1** There are a number of petty cash accounts and cash floats used throughout the Council that facilitate the smooth operation of services and enable the local collection of cash. These accounts and floats must have proper controls to prevent loss.

Key Controls

- 4.2** The Key controls for petty cash accounts and cash floats are:
- (a)** Defined procedures are in place for the operation and reconciliation of petty cash accounts and cash floats.
 - (b)** Only designation employees will hold and operate petty cash accounts.
 - (c)** Cash floats are only provided to designated cash collection points.

Responsibilities of the Chief Finance Officer

- 4.3** To issue defined procedures for the operation and reconciliation of petty cash accounts and cash floats.
- 4.4** To provide designated employees of the Authority with petty cash 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 the prescribed amount.
- 4.5** 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.
- 4.6** To reimburse petty cash account holders as often as necessary to restore the account, but normally not more than monthly.
- 4.7** To provide cash floats to designated cash collection points.

Responsibilities of the CE & Executive Directors

- 4.8** To designate the employees within their service who will hold and operate each petty cash account and cash float.
- 4.9** Follow the defined procedures for the operation of petty cash accounts and cash floats as issued by the Chief Finance Officer
- 4.10** To ensure that designated employees operating a petty cash account:
- (a)** Obtain and retain vouchers to support each payment from the petty cash 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 Chief Finance Officer cash and all vouchers to the total value of the petty cash amount.
 - (d)** Record transactions promptly.
 - (e)** Reconcile and balance the account at least monthly; reconciliation sheets to be signed and retained by the petty cash account holder.

- (f) Provide the Chief Finance Officer with a certificate of the value of the account held at 31 March each year.
- (g) Ensure that the petty cash account 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 account 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 a petty cash account, an employee shall account to the Chief Finance Officer for the amount advanced to him or her.

5. Payments to Employees and Councillors

Why is this important?

- 5.1** 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 Councillors' allowances are authorised in accordance with the scheme adopted by the Full Council.

Key controls

- 5.2** The key controls for payments to employees and Councillors are:

- (a) Proper authorisation procedures are in place and that there is adherence to corporate timetables in relation to starters, leavers, variations and enhancements and that where appropriate payments are made on the basis of timesheets or claims.
- (b) Frequent reconciliation of payroll expenditure against approved budget and bank account.
- (c) All appropriate payroll documents are retained and stored for the defined period in accordance with the document retention schedule.
- (d) That Inland Revenue regulations are complied with.

Responsibilities of the Chief Finance Officer

- 5.3** 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.
- 5.4** To record and make arrangements for the accurate and timely payment of tax, pension and other deductions.
- 5.5** To make arrangements for payment of all travel and subsistence claims.
- 5.6** To make arrangements for paying Councillors travel or other allowances upon receiving the prescribed form, duly completed and authorised.
- 5.7** To ensure that there are adequate arrangements for administering pension matters on a day-to-day basis.

Responsibilities of the CE & Executive Directors

- 5.8** 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.

- 5.9** To notify the **Strategic Executive** Director (Transformation) promptly, in the form and to the timescale required, of:
- (a)** All appointments, resignations, dismissals and suspensions.
 - (b)** Absences from duty for sickness or any other reason.
 - (c)** Changes in remuneration other than normal increments and pay awards and agreements of general application.
 - (d)** Information necessary to maintain records of services and benefits for Income Tax, National Insurance, etc.

which may affect the pay or pension of a Councillor, an employee or a former employee

- 5.10** To ensure that adequate and effective systems and procedures are operated, so that:
- (a)** Payments are only authorised to bona fide employees.
 - (b)** Payments are only made where there is a valid entitlement.
 - (c)** Conditions and contracts of employment are correctly applied.
 - (d)** Employees' names listed on the payroll are checked at regular intervals to verify accuracy and completeness.
- 5.11** To send an up-to-date list of the names of officers authorised to sign records, timesheets and claims to the **Strategic Executive** Director (Transformation), together with specimen signatures.
- 5.12** To ensure that payroll transactions are processed only through the payroll system. The **CE & Executive 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 all cases, advice should be sought from the Chief Finance Officer.
- 5.13** To certify travel and subsistence claims and other allowances and expenses. 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 Chief Finance Officer is informed where appropriate.
- 5.14** To ensure that the **Strategic Executive** Director (Transformation) is notified of the details of any employee benefits in kind, to enable full and complete reporting within the income tax self-assessment system.
- 5.15** To ensure that all appropriate payroll documents are retained and stored for the defined period in accordance with the document retention schedule.

Responsibilities of Members

- 5.16** To submit claims for Councillors' travel and subsistence allowances on a monthly basis and, in any event, within one month of the year-end.

6. Taxation

Why is this important?

- 6.1** 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

6.2 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 Chief Finance Officer

- 6.3 To complete a monthly return of VAT inputs and outputs to HM Revenue and Customs.
- 6.4 To provide details to the Inland Revenue regarding the construction industry tax deduction scheme.
- 6.5 To maintain up-to-date guidance for Authority's officers on taxation issues in the accounting manual and the tax manual.
- 6.6 To ensure that the correct VAT liability is attached to all income due and that all VAT recoverable on purchases complies with HM Revenue and Customs regulations.
- 6.7 To ensure that, where construction and maintenance works are undertaken, the contractor fulfils the necessary construction industry tax deduction requirements.

Responsibilities of **Strategic Executive Director (Transformation)**

- 6.8 To complete all Inland Revenue returns regarding PAYE.
- 6.9 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.

Responsibilities of the **CE & Executive Directors**

- 6.10 To follow the guidance on taxation issued by the Chief Finance Officer in the Authority's accounting manual and VAT manual.

7. Trading Accounts, Business Units and Local Authority Trading Companies

Why is this important?

- 7.1 Trading accounts, business units and Local Authority Trading Companies have become more important as local authorities have developed a more commercial culture.

Responsibilities of the Chief Finance Officer

- 7.2 To advise on the establishment and operation of proper financial arrangements for trading accounts, business units and Local Authority Trading Companies.

External Arrangements

1. Partnerships

Why is this important?

- 1.1** 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.
- 1.2** 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

- 1.3** 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.
- 1.4** 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.
- 1.5** 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.
- 1.6** 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

1.7 The key controls for Authority partners are:

- (a) if appropriate, to be aware of their responsibilities under the Authority's Financial Procedure Rules and the code of practice on tenders and contracts.
- (b) to ensure that risk management processes are in place to identify and assess all known risks.
- (c) to ensure that project appraisal processes are in place to assess the viability of the project in terms of resources, staffing and expertise.
- (d) to agree and accept formally the roles and responsibilities of each of the partners involved in the project before the project commences.
- (e) to communicate regularly with other partners throughout the project so that problems can be identified and shared to achieve their successful resolution.

Responsibilities of the Chief Finance Officer

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

1.9 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.

1.10 To ensure that the accounting arrangements are satisfactory.

Responsibilities of the CE & Executive Directors

1.11 To maintain a register of all contracts entered into with external bodies in accordance with procedures specified in Contract Standing Orders.

1.12 To ensure that, before entering into agreements with external bodies, a risk management appraisal has been prepared.

1.13 To ensure that such agreements and arrangements do not impact adversely upon the services provided by the Authority.

- 1.14 To ensure that all agreements and arrangements are properly documented.
- 1.15 To provide appropriate information to the Chief Finance Officer to enable a note to be entered into the Authority's statement of accounts concerning material items.

2. External Funding

Why is this important?

- 2.1 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 Government departments 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

- 2.2 The key controls for external funding are:
- (a) to ensure that key conditions of funding and any statutory requirements are complied with and that the responsibilities of the accountable body are clearly understood.
 - (b) to ensure that funds are acquired only to meet the priorities approved in the policy framework by the Full Council.
 - (c) to ensure that any match-funding requirements are given due consideration prior to entering into long-term agreements and that future revenue budgets reflect these requirements.

Responsibilities of the Chief Finance Officer

- 2.3 To ensure that all funding notified by external bodies is received and properly recorded in the Authority's accounts.
- 2.4 To ensure that the match-funding requirements are considered prior to entering into the agreements and that future revenue budgets reflect these requirements.
- 2.5 To ensure that audit requirements are met.

Responsibilities of the CE & Executive Directors

- 2.6 To ensure that all claims for funds are made by the due date.
- 2.7 To ensure that the project progresses in accordance with the agreed project and that all expenditure is properly incurred and recorded.

3. Work for Third Parties

Why is this important?

- 3.1 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

3.2 The key controls for working with third parties are:

- (a)** to ensure that proposals are costed properly in accordance with guidance provided by the Chief Finance Officer.
- (b)** to ensure that contracts are drawn up using guidance provided by the Chief Finance Officer 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 the Chief Finance Officer

3.3 To issue guidance with regard to the financial aspects of third party contracts and the maintenance of the contract register.

Responsibilities of the CE & Executive Directors

3.4 To ensure that the approval of the Cabinet is obtained before any negotiations are concluded for any material work for third parties.

3.5 To maintain a register of all contracts entered into with third parties in accordance with procedures specified by the Chief Finance Officer.

3.6 To ensure that appropriate insurance arrangements are made.

3.7 To ensure that the Authority is not put at risk from any bad debts.

3.8 To ensure that no contract is subsidised by the Authority.

3.9 To ensure that, wherever possible, payment is received in advance of the delivery of the service.

3.10 To ensure that the department / unit has the appropriate expertise to undertake the contract.

3.11 To ensure that such contracts do not impact adversely upon the services provided for the Authority.

3.12 To ensure that all contracts are properly documented.

3.13 To provide appropriate information to the Chief Finance Officer to enable appropriate disclosures to be included in the statement of accounts.

Part 4(g) – Contracts Procedure Rules

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Part 4(g) – Contracts Procedure Rules

1. Introduction

The Council is accountable to the public for the way it spends public funds. Professional procurement activities contribute to the efficient, effective and economic delivery of services to the public, maximising the benefits available from the budgets and supporting the Council's strategic objectives. The Council's reputation is of the utmost importance and should be safeguarded from any suggestion of dishonesty, corruption or failure to meet legal obligations.

These Contracts Procedure Rules (CPRs) ensure these accountabilities and objectives are addressed.

2. Procurement Thresholds & Exemptions

Procurement covers the total process of purchasing for all bought in services, supplies and works; from the initial assessment of the business need, to acquisition or extension, and contract management.

Total contract value means the estimated/aggregate spend or recurring value payable over the entire contract period including any extensions of contract.

Section 7.1 provides further details on how to calculate contract value.

2.1 Thresholds

The table below sets out the different financial thresholds.

	Total Contract Value (excl. VAT)	Lead Officer	Procurement Process	Procurement System
Low Value	£1 to £999.99	Council Officer	Obtain 1 written or verbal quotation demonstrating best value- where possible this should be a local supplier*	If appropriate, process Procurement Card transactions in accordance with procedures. Otherwise, process as for Minor below
Minor	£1,000 to £9,999.99	Council Officer	Obtain a minimum of 1 written supplier quote that demonstrates best value- where possible this should be a local supplier*	Create a requisition in Procure to Pay (P2P), enter a spend justification and attach preferred supplier quote
Medium	£10,000 to £24,999.99	Council Officer	Obtain a minimum of 3 written supplier quotes and evaluate to determine best value- this should include (where possible) as a minimum 2 local suppliers*	Create a requisition in P2P, enter a spend justification and attach preferred supplier quote
Major	Threshold (a) £25,000 to £74,999.99 Threshold (b) £75,000 up to £181,302 the relevant OJEU Threshold (Supplies & Services, Light Touch or Works/Concessions)	Procurement Advisor	Threshold (a) and (b) Contact procurement and seek support to develop specification or tender document, advertise, evaluate and award contract Threshold (b) requires a completed options appraisal, issue a tender, secure approval to award and then complete a signed contract	Contracts Finder / e-Procurement to advertise and award contract. Create a requisition in P2P, enter a spend justification and reference contract in P2P

OJEU Contract	<p>£181,302 and over unless:</p> <p>(a) social care, health education</p> <p>£615,278 and over</p> <p>(b) works and concession contracts**</p> <p>£4,551,413 and over</p> <p>Relevant OJEU threshold and above</p>	Procurement Advisor	<p>Contact procurement and follow EU Procurement Rules for Service, Supplies, Light Touch and Works Contracts</p>	<p>Contracts Finder / e-Procurement and OJEU to advertise and award contract.</p> <p>Create a requisition in P2P, enter a spend justification and reference contract in P2P</p>
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(*) The use of Local Suppliers is promoted and encouraged between the Low to Medium Thresholds, but should not supersede the Primary requirement of Council Officers to try and ensure the best possible value for Public Money. Achieving value for Public Money should be reasonably and proportionally measured in terms of Price, Quality and the possible Social Value benefits associated with using Local Businesses.

A Local supplier is defined within **Business World** Agresse as a Supplier whose address is listed as a Southend postcode, which include SS0, SS1, SS2, SS3 and SS9.

For the avoidance of doubt the Council would like to pro-actively increase the level of money it spends within the Borough. However, it is understood this may not be possible in a number of cases. For this reason any work carried out by Officers in the pursuit of value, but which is not able to secure local quotes will not be subject to delay because of this.

** The purpose of the Concession Regulations 2016 is to provide clear rules to increase competition in the concession market. This is in parallel with the requirement that public procurement should be based upon an organisation fulfilling its legal obligation to obtain best value for money through market competition. In order to maximise the achievable value, all potential Concession Contracts over the £25K value should be competitively let in an open, fair and transparent manner, utilising calls for competition in line with the requirements set out in 2.1 (Thresholds) and 7.2 (Detailed Procurement Process in Relation to Thresholds).

Further detailed information on the Procurement Processes detailed in this table is contained within **section 7.2**.

2.2 Exemptions to the CPRs*

The following types of procurement are exemptions and not covered by these CPRs:

- Grants which the Council may receive or make; except where the grant is the form of payment in a contract for a service, supply or works (or any combination thereof) where the Council requires an output or outcomes to be delivered by a Third Party. The awarding of grants by the Council or on behalf of the Council must be carried out under the principles of openness, fairness, non-discrimination and value for money. Officers cannot choose to treat procurement as a grant in order to avoid conducting a competitive process. The Council's Financial Procedure Rules provide more guidance on the awarding and the receiving of grants
- The purchase or lease of property, land acquisition, interest in land, transaction in land or disposal. This rule does not extend to any service, supplies or works contracts that may be required to make the land, existing buildings or immovable property ready for acquisition, disposal or leasing
- Direct employment of permanent or fixed-term employees. For the avoidance of doubt, these CPRs do apply to consultancy and employment agency contracts
- Contracts for the execution of either mandatory works or provision of goods or services which must be provided by a Statutory Provider other than the Council. This includes but is not limited to public utility companies and other legal authorities
- Contracts which have been procured on the Council's behalf through collaboration with other local authorities or other public bodies. In such instances a competitive process must be

followed that complies with the rules / regulations of the lead organisation even though these may not comply wholly with these rules. The use of any third party rules and regulations must be approved by the Head of Corporate Procurement prior to the commencement of any collaborative procurement. This includes but is not limited to national or regional contracting authorities where the process followed is in line with the Public Contracts Regulations 2006 or 2015 or any other subsequent amendment. Where a collaborative procurement is undertaken, the regulatory requirements of both organisations must be adhered to, e.g. The National Health Service (Procurement, Patient Choice and Competition) (No. 2) Regulations 2013 and the Public Contract Regulations 2015

- Instructing barristers or external solicitors and those costs do not exceed £74,999
- Specialist professional services, where the Council's costs are being discharged by a third party and those costs do not exceed £74,999
- Spot care placements which may include special educational needs (i.e. individual placements that fall outside of any block contracting arrangements) are excluded from the requirement but have to be approved through separate approval processes
- The lending or borrowing of money by the Council
- The acquisition or exhibiting of unique works of art or artistic performance where they are only available from a single source and the related costs do not exceed £24,999.99 across the life of the agreement. This exemption does not extend to any medium or long term contract in which a Party would have an exclusive or non-exclusive right to provide the Council with multiple exhibitions or artistic performances over one or more years
- Arrangements with Ofsted for the inspection of a school
- If any law says the Council must contract differently from these CPRs
- For the avoidance of doubt exemptions do not include emergencies; this is covered in Section 8.11.

*Officers must ensure that any procurement carried out in relation to any of these listed exemptions is consistent with the Council's duty to obtain value for money, as well as the current procurement strategy and other relevant policies of the Council. The Council maintains a list of Exemptions which is reviewed on a regular basis. This can be found at:

<http://seattle/Pages/Payment-with-Purchase-Order.aspx>

Exceptions and Emergencies are detailed in **Sections 8.9, 8.10 and 8.11**

2.3 Procurement Oversight

Corporate Procurement will issue **regular** quarterly reports to the **Commissioning Board Corporate Management Team (CBCMT)**. This reporting process will ensure there is scrutiny and monitoring of the Council's expenditure in the context of procurement activity (see section 5.6). The Corporate Procurement Team will also report on compliance with the CPRs, delivery of the Procurement Strategy, progress against the Annual/**3 Year Pipeline** Procurement Plan and those Exceptions/Exemptions approvals.

3. Purpose of the Contracts Procedure Rules

The purpose of these CPRs is to set out the principles of procurement, roles and responsibilities, rules and processes involved in purchasing services, supplies and works contracts across the Council. They do this to better protect the Council and its Officers from legal challenge, reputational damage and the negative effects of such damage. When using the term contract, this also covers the delivery of pilots and the usage of grants unless they are covered within **section 2.2**.

The CPRs should be read in conjunction with the Council's Financial Procedure Rules, **Part 4(f)**, as well as the Council's Procurement Strategy and Procedures.

In addition, these CPRs reflect the EU Procurement Regulations, The Public Contract Regulations 2015 and UK legislation. Any misuse or failure to comply with any of these CPRs may result in disciplinary action and legal proceedings. It should be noted the term contract also refers to any agreement put in place which looks to implement the delivery of a Pilot Scheme, as well as the usage of grants (as referenced within Section 2.2 (**Exemptions to the CPRs**))

Any non-compliance shall be reported to the Head of Corporate Procurement, who will decide in conjunction with the relevant Chief Officer what further action needs to be taken.

These CPRs are supported by detailed guidance included within the Council's Procurement Toolkit. The Toolkit explains in more detail procurement and contract management processes, but does not override these CPRs. All procurement activity needs to adhere to the Scheme of Delegation and Financial Limits as set out in the Financial Procedure Rules.

These CPRs will be reviewed by the Head of Corporate Procurement at least every 12 months.

4. Principles of Procurement

The Council's approach to professional procurement, underpinned by its values, is driven by a number of principles that include but are not limited to those set out in table below:

Principle	Meaning of the principle
Achieving the best commercial value	Using the Council's purchasing power to negotiate and leverage: <ul style="list-style-type: none"> ▪ The best commercial price from the marketplace ▪ Robust legal terms and conditions ▪ Effective, efficient and economic use of resources.
Complying with Regulatory and Legislative requirements	Ensure the Council is: <ul style="list-style-type: none"> ▪ Not exposed to unnecessary risk and likelihood of challenge arising from non-compliant procurement activity ▪ Compliance with current legislation, up to date with guidance notes, tools and templates issued by Cabinet Office ▪ Open, fair and transparent and fully compliant with EU Procurement Regulations., the Public Contract Regulations 2015 and UK legislation.
Meeting Government Acts and statutory duties	Meeting applicable standards and accreditations on: <ul style="list-style-type: none"> ▪ Social Value Act 2012 and any subsequent acts (also refer to the Council's Social Value Policy) ▪ Acting within the laws of the Bribery Act 2010 and any subsequent acts ▪ The Modern Slavery Act (also refer to the Council Modern Slavery statement) ▪ Quality and Environmental ▪ Security Information Management ▪ Freedom of Information, Data Protection (including GDPR 2018) and Transparency Acts ▪ Health and Safety.
Promote sustainability	Assessing and monitoring the impact on: <ul style="list-style-type: none"> ▪ The environment and any exposure to environmental risks ▪ Society such as support for equality and diversity ▪ Supporting local Small and Medium Enterprise (SME) supplier markets ▪ Ensure that suppliers do not become financially over-dependent on Council contracts ▪ To develop and sustain effective supplier and market relationships
Maintaining ethical standards	Operating openly and transparently by: <ul style="list-style-type: none"> ▪ Adhering and performing within the Council's code of conduct ▪ Notification and recording of any declarations of interest throughout the Procurement process via the Business World Agresso system and relevant

	<p>project team</p> <ul style="list-style-type: none"> ▪ Acting within the laws of the Equalities Act 2010 and any subsequent acts ▪ Ensuring our suppliers allow for equal opportunities ▪ Allowing diversity amongst our approved supplier base ▪ Ensure that Non-Commercial Considerations do not influence any contracting decision ▪ To keep our supplier records relevant and up to date.
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5. Roles and Responsibilities

All Officers must comply with these CPRs, the Council's Constitution, the Public Contract Regulations 2015, EU Procurement Regulations and UK Legislation. Officers must ensure that any Agents or Consultants acting on their behalf also comply.

5.1 The Chief Officers shall:

- (a) Agree their annual departmental procurement plans with the Head of Corporate Procurement before the start of each financial year. The plans should accurately detail existing contracts / spend, pending contract renewals and any new contract / spend identified for the coming year
- (b) Appoint Officers in their departments as Designated Procurement Officers who are trained in the administration of purchasing services, supplies and works
- (c) Appoint Officers in their departments as Contract Managers who are trained in contact management and supplier relationship management
- (d) Ensure Procurement Officers and Contract Managers are appropriately trained, supervised, appraised and have access to the necessary systems and understand the importance of following these rules
- (e) Be responsible for approving and delegating approval of contracts / spends in their department, including any variations to contracts where there are financial, legal or commercial implications
- (f) Collaborate with the Head of Corporate Procurement and Audit on an Annual and 3-Year Pipeline Procurement Plan to ensure compliance within their departments.

5.2 Designated Procurement Officers must:

- (a) Appraise purchases, in a manner commensurate with their complexity and value – taking account of guidance in the Procurement Toolkit
- (b) Purchase services, supplies and works in accordance with the CPRs, demonstrate best value and ensure no commitment is made without written authorisation
- (c) Check whether a suitable approved supplier, contract, purchasing or framework agreement already exists before purchasing or letting a contract for services, supplies and works
- (d) Develop a clear and precise set of purchasing requirements, including (but not limited to) written specification / scope, evaluation criteria, drawings, seasonal trends, historical data, benchmark data, timescales and delivery details
- (e) Create purchase requisitions in advance of the supply of services, supplies and works except where a Purchase Card transaction or Payment without a Purchase Order request applies. All purchase requisitions should be under the Council's agreed Terms and Conditions
- (f) Any declaration of interest must be notified immediately to the Head of Corporate Procurement to avoid any conflict when purchasing goods, services and works. This declaration must also be detailed via the Business World Agresse system so that appropriate approval is sought and provided
- (g) Ensure advice is sought where required and/or relevant from the Corporate Procurement Team on the application of these CPRs, Procurement Regulations or tendering procedure

5.3 Procurement Advisors shall:

- (a) Provide procurement advice and support to Chief Officers, and other officers on how to purchase services, supplies and works in accordance with these CPRs. This advice includes administering adverts / frameworks, developing specifications / tenders, conducting evaluation processes, publishing awards and operating procurement systems
- (b) Notify the Head of Corporate Procurement in a timely manner of any anticipated unplanned procurement expenditures in service areas for the forthcoming financial year
- (c) Ensure that procurement requirements are properly defined; procurement activity is competitive, transparent, fair, and complies with the relevant legislation and demonstrates best value
- (d) Support each department to proactively performance manage supplier contracts as part of an agreed contract management plan.
- (e) Maintain and update the public contracts register

5.4 Head of Corporate Procurement shall:

- (a) Deliver contracts in a manner contributing to the following key objectives: ensuring compliance with EU guidelines, legislation and other procurement policy and regulatory frameworks available to the wider public sector and local authorities and contributing to the achievement of value for money / cashable savings
- (b) Review in accordance with these CPRs exceptions and variations to terms & conditions, in consultation with the Strategic Executive Director (Finance and Resources) and Strategic Executive Director (Legal and Democratic Services) where there are financial and legal implications respectively
- (c) Allocate resource to key procurement projects to ensure delivery of the Annual and 3-Year Pipeline Procurement Plan
- (d) Ensure Procurement Advisors keep up to date with these CPRs, the Council's Financial Procedure Rules, the Procurement Toolkit, other relevant Guidelines and Procurement Legislation
- (e) Regularly review the CPRs and the Council's Procurement Strategy

5.5 Corporate Procurement Team shall:

- (a) Provide procurement advice and support to Chief Officers and other officers on how to purchase services, supplies and works in accordance with these CPRs. This advice includes administering adverts / frameworks, developing specifications / tenders, conducting evaluation processes, publishing awards and operating procurement systems
- (b) Monitor compliance and notify the Head of Corporate Procurement in a timely manner of any anticipated exceptions to the CPRs or unplanned procurement expenditures in service areas for the forthcoming financial year
- (c) Resource Major and EU procurement projects to ensure delivery of the Annual and 3-Year Pipeline Procurement Plan

5.6 Procurement Oversight as detailed in section 2.3 shall:

- (a) Ensure scrutiny and monitoring of the Council's expenditure in the context of procurement activity
- (b) Monitor compliance against all procurement activity and notably the CPRs
- (c) Provide information as to those exceptions and exemptions requested and approved/rejected

- (d) Monitor progress against the Annual **and 3-Year Pipeline** Procurement Plan and the Corporate Procurement Strategy
- (e) Record any unplanned procurement activity reported to it which exceeds £74,999.99 and the course of action taken to address any such unplanned procurement processes (subject to the normal authorities set out in Section 6 below).
- (f) Consider opportunities across departments and service areas where joint initiatives can be investigated and implemented, which in turn may deliver better value
- (g) Provide information and evidence for Internal Audit and the Fraud Team which is contrary to the practices set out in the CPRs

6. Approval to Spend

6.1 Requirements before commencing any procurement

Before commencing any procurement activity the following approvals to proceed must be in place:

- (a) Contracts that are under £75,000 require approval pursuant to the Delegation Scheme in **Part 3, Schedule 3** of the Constitution and 6.1(e) and 6.2 below, including budgetary approval
- (b) Contracts of £75,000 and above require the authority of Cabinet or of a Chief Officer (pursuant to the Delegations Scheme in **Part 3, Schedule 3** of the Constitution and 6.2 below), including budgetary approval, provided that where the contract has been included in the Annual **and 3-Year Pipeline** Procurement Plan then this provides the necessary authority for the Contract
- (c) Contracts within (a) or (b) which are Capital Contracts must be included in the Capital Programme in accordance with the Financial Procedure Rules
- (d) Contracts where external funding is being obtained within (a) or (b) must comply with the External Funding Rules in the Financial Procedure Rules
- (e) Financial levels of authority for Request for Quotation or Invitation to Tender:

Issue of Request for Quotation or Invitation to Tender (subject to budgetary approval)	
Cabinet / Schools Governing Bodies	Contract with an estimated value of over £1 million which is not included in the Annual/ 3-Year Pipeline Procurement Plan
The Chief Executive, Deputy Chief Executives Chief Executive and Executive Strategic Directors	1. Contract with an estimated value of over £1m already included in the Annual/ 3-Year Pipeline Procurement Plan. 2. Contract with an estimated value up to £1 million
Authorised Officers	Director- contract with an estimated value up to £500k Group Manager Head of Service, Group Manager or Assistant Director- contract with an estimated value up to £75k Business Unit Manager- contract with an estimated value up to £25k Line Manager- contract with an estimated value up to £10k
Head Teachers and their Authorised Officers	In accordance with the delegated powers stipulated by the relevant Board of Governors

6.2 Award of Contract

Financial levels of authority for Award of Contract:

Award of Contract (subject to budgetary approval)	
Cabinet / Schools	Contract over £1 million where the tender is in excess of the budget

Governing Bodies	agreed at invitation stage or as stated in the Annual Procurement Plan. Note: Contracts over £1m must be executed under seal in accordance with Rule 7.3. (b)
The Chief Executive, Deputy Chief Executives, Chief Executive and Executive Strategic Directors	1. Contract over £1 million where tender is within the budget agreed at invitation stage and which was included in the Annual Procurement Plan. 2. Contract up to £1 million
Authorised Officers	Director- contract with an estimated value up to £500k Group Manager Head of Service, Group Manager or Assistant Director- contract with an estimated value up to £75k Business Unit Manager- contract with an estimated value up to £25k Line Manager- contract with an estimated value up to £10k
Head Teachers and their Authorised Officers	In accordance with the delegated powers stipulated by the relevant Board of Governors

7. Detailed Procurement Rules

To ensure the purpose and principles set out earlier in CPRs are met, the following detailed rules must be adhered to at all times:

7.1 Calculating Contract Value

Before entering into any contract; the correct contract value must be calculated in advance. Contract value means the estimated aggregate or recurring value payable in pounds sterling exclusive of Value Added Tax (VAT) over the entire contract period including any extensions of the contract. Where the contract term is without fixed length (e.g. an open approved supplier list) the estimated value of the contract should be calculated by monthly value of spend multiplied by 48 in accordance with regulation 6 of the EU regulations. When calculating the contract value to determine the correct Procurement Threshold, Officers must not underestimate or split the value of a single contract over a number of contracts (Disaggregation) to artificially avoid certain procurement thresholds. The value of a concession is to be calculated on the basis of the total turnover of the concessionaire generated over the duration of the contract, net of VAT, as estimated by the Council, in consideration for the works and services which are the object of the concession as well as for the supplies required for such works and services.

7.2 Detailed Procurement Process in Relation to Thresholds

Once the contract value has been calculated, all known or new purchasing contracts are made in accordance with the procurement thresholds and process detailed below, unless an exception has been agreed in advance as detailed in **Sections 8.9 and 8.10**. Officers should seek advice and support from Procurement Advisors to ensure they comply with the CPRs and EU Procurement Rules. The thresholds are summarised in more detail below and apply to known procurements that are contracts due for renewal and new spend agreed within the procurement plan.

Threshold	Procurement Process
£1 to £999.99	An Officer should obtain one written or a verbal quote from a supplier (this should be a local supplier* wherever possible) who accepts a Procurement Card and complete the card transaction. The audit purposes and for Scrutiny Checks by the Corporate Procurement Team officers should ensure they retain evidence best value has been achieved for the Council even at this level of spend. In circumstances where the Officer does not have a Procurement Card and/or the supplier does not accept a Procurement Card, the Officer should follow the process described in the £1,001 to £9,999.99 threshold below.
£1,000 to £9,999.99	An Officer should obtain a minimum of one written quote (where possible

		this should be from a local supplier*) and create a purchase request in P2P and enter a spend justification to evidence that best value has been achieved for the Council. The Officer will also need to attach the preferred supplier quote within the purchase request.
£10,000 £24,999.99	to	An Officer should obtain a minimum of three written quotes, of which at least two should be from local suppliers*, and create a purchase request in P2P and enter a spend justification to evidence that best value has been achieved for the Council. The Officer will also need to attach the preferred supplier quote within the purchase request.
Threshold (a) £25,000 £74,999.99	to	An Officer should contact their nominated Procurement Advisor for advice and support. The Officer will need to develop a specification and evaluation criteria with the Procurement Advisor as it is mandatory within this threshold to formally advertise the procurement contract and publish an award. The Procurement Advisor will advise if there are any relevant tendering requirements (normally for spends of £75k and over), if there are any suitable Government Frameworks available to use and the most suitable procurement procedure to follow.
Threshold (b) £75,000 up to the relevant threshold to £181,301.99	OJEU	Once the procurement process is complete and the award is made, the Officer will be required to create a purchase request in P2P.
The relevant OJEU threshold £181,302 and above over unless: (a) social care, health education £615,278 and over (b) works and concession contracts £4,551,413 and over		An Officer should contact their nominated Procurement Advisor for advice and support. It is mandatory within this threshold to follow EU Procurement Rules for service, supplies and works Contracts. The Procurement Advisor will advise the Officer on the correct process to follow. It should be noted that concession contracts are usually contracts where the Council may partially subsidise or not fund the service at all, but where the operating of the contract relies upon income generation (e.g. the Operation of the Leisure centres). In this case the contract value is based upon the expected income throughout the life of the contract. Once the procurement process is complete and the award is made, the Officer will be required to create a purchase request in P2P.

(*) Further information on the responsible use of Local Suppliers is confirmed under **Section 2.1** (Thresholds)

7.3 Contract Documentation, Contract Award and Signing, The Contracts Register and Storage of Contracts

(a) Documentation

The Council has a standard set of terms and conditions which are included as part of the purchase order requirements sent to suppliers. These terms and conditions are used as part of the procurement process for Minor and Medium sized contracts that do not have complex requirements, and are not to be varied.

Where more complex procurement requirements need tailored or specific terms and conditions (i.e. NEC Framework, performance related incentives, payment terms) usually within tender requirements for Major or EU contracts, written approval must be sought from the Head of Corporate Procurement and / or **Executive Strategic Director** (Legal and Democratic Services) to vary the Council's terms and conditions. In all cases, irrespective of value, purchase orders and contracts shall clearly specify as a minimum:

- Details of what is to be supplied (i.e. the works, materials, services, deliverables or description of works)
- Payment terms (i.e. the price to be paid and when) this can be a schedule of multiple payments and / or milestone payments
- The dates, or times, within which the contract is to be performed; and the provisions for the Council to terminate the contract.

(b) Contract Award and Signing

The necessary Authority for the awarding of a contract is set out in the table below:

Award of Contract (subject to budgetary approval)	
Cabinet / Schools Governing Bodies	<p>Contract over £1 million where the costs provided are in excess of the budget agreed at invitation stage or as stated in the Annual Procurement Plan</p> <p>Note: Contracts over £1m must be executed under seal in accordance with Rule 7.3. (b)</p>
The Chief Executive, Deputy Chief Executives, Chief Executive and Executive Strategic Directors	<ol style="list-style-type: none"> 1. Contract over £1 million where tender is within the budget agreed at invitation stage or as stated in the Annual Procurement Plan 2. Contract up to £1 million.
Authorised Officers	<p>Director- contract with a value up to £500k Group Manager Head of Service, Group Manager or Assistant Director - contract with a value up to £75k Business Unit Manager- contract with a value up to £25k Line Manager- contract with a value up to £10k.</p>
Head Teachers and their Authorised Officers	In accordance with the delegated powers stipulated by the relevant Board of Governors.

Contracts which have a value below £1m, but for which a longer limitation period is considered necessary to protect the Council's interests (e.g. design contracts, construction contracts) shall be executed under seal as well as all contracts with a value over £1M.

All other Contracts can be signed by the Chief Executive or ~~the~~ Deputy Chief Executive, ~~Executive~~ Strategic Director, Authorised Officer or a Head Teacher subject to the Approved Limits in the table above.

(c) The Contracts Register and Storage of Contracts

The Corporate Procurement Team is responsible for keeping/ensuring:

- A register of all ongoing Council contracts which have been run via the E-Procurement system;
- An electronic copy of all contracts
- The original of all contracts executed under seal shall be passed to the Legal Department for storage in the basement

7.4 Signing of Non-disclosure agreements and Letters of Intent (LOI)

Non-disclosure agreements can only be signed by approved signatories detailed within **7.3 (b)** or by the Head of Corporate Procurement. In addition, it is the Council's policy not to enter into discussions with suppliers based on Letters of Intent (LOI).

7.5 Code of Conduct

All Officers must always comply with the Council's Employee Code of Conduct (**Part 5c**) which means that where their role involves procuring, managing or using the Council's contracts they must comply with the CPRs and Financial Procedure Rules on the award of orders and contracts. In addition, any potential or actual conflicts of interest (financial or non-financial) or relationships that may impact on their involvement in procuring, managing or using the Council's contracts must be declared to the appropriate Council manager. Officers must also not offer, promise, give or receive any gift, loan, fee, reward, regard or advantage from or to contractors or potential contractors in respect of the award or performance of any contract.

Breaches of the Council's Employee Code of Conduct (inside or outside of work) will be investigated and may result in disciplinary action. Serious breaches of the code may be considered gross misconduct and result in dismissal without notice.

7.6 Record Keeping Process for Contracts of £75,000 and above

Procurement Advisors shall record and retain:

- Contracting decisions and reasons (including route to market)
- Any exceptions or exemptions together with the reasons for it
- The Award Criteria
- Tender and Quotation documents sent and received from Tenderers
- Pre-tender market research
- Clarification and post-tender negotiation (incl. minutes)
- Copies of the contract documents (original contracts see **7.3 (c)**)
- Post-contract evaluation and monitoring
- Communications with Tenderers and with the successful contractor throughout the period of the contract.
- Post Award contract documentation such as Variations, Extensions, Reviews, Breaches and performance notices

Full guidance is contained in the Procurement Toolkit.

7.7 Record Retention Process for Contracts of £75,000 and above

The Corporate Procurement Team shall retain:

- Successful contract files for twelve (12) years after the end of the contract for all sealed contracts
- Successful contract files for six (6) years after the end of the contract for all other contracts
- Unsuccessful contract files for two (2) years.
- An electronic copy of the contract.

Full guidance is contained within the Procurement Toolkit.

8 Procurement Method

All Major and OJEU Contracts within the Council should adhere to the following processes detailed within **Section 8.1**, unless they have been granted an exception under **Section 8.9 and 8.10** or an emergency under **Section 8.11**. Further detailed guidance for each process can be found within the Council's Procurement Toolkit.

8.1 Process for Major and OJEU contracts

Step	Process
Pre-Procurement Activities	<ol style="list-style-type: none"> 1. Market research – Undertake research to identify potential suppliers, estimated contract value and appropriate industry standards or regulations. This may include early supplier engagement through soft market testing, however any activities carried out at this stage should not distort future procurement competition nor prejudice any potential Supplier. 2. Establish route to market – Identify existing contractual arrangements in form of: <ul style="list-style-type: none"> ▪ Framework Agreements that have been set up with a list of pre-assessed Suppliers ▪ Pre-Approved supplier list ▪ Other approved sources of supply. <p>In the absence of the aforementioned, a competitive tender procedure should be selected as defined in the Public Contracts Regulations 2015.</p> 3. Defining the requirement – A written document in the form of a specification detailing what services / supplies / works are required, outcomes, technical requirements including designs/drawings and commercial requirements. This also requires defining the evaluation and award criteria required to assess Supplier proposal. 4. Prepare options appraisal – A descriptive note highlighting the outcome of the Market Research, the preferred route to market and estimated project cost against approved project budget. This document is required for all procurements with an estimated contract value that exceeds £74,999. The Options Appraisal shall be approved by the relevant Deputy Chief Executive, Executive Strategic Director or Director and the Head of Corporate Procurement.
Procurement Activities	<ol style="list-style-type: none"> 5. Advertise – if employing a competitive tender procedure, contract opportunities with an estimated contract value that exceeds £24,999.99 must be made available electronically in the public domain by placing adverts on Contracts Finder. Where the contract value exceeds the relevant OJEU threshold £181,302, contract opportunities must be advertised electronically in the European Journal prior to placing adverts on Contract Finder. 6. Manage tender process – All tenders will be managed through the Councils E-Procurement System unless a manual tendering process is approved by the Head of Corporate Procurement. The minimum activities required at this stage are: <ul style="list-style-type: none"> ▪ Invitation to tender - Instructions to potential Suppliers on how to respond to an invitation to tender by submitting a proposal for a contract opportunity. This document will include specification, timescales for the tender process and the Terms and Conditions that will govern the eventual contract ▪ Tender receipt and opening - Procurement Advisors will open received Supplier proposals in accordance with the tender submission deadline. The opening of Tenders must be completed by Officers who will not be involved in the evaluation process and award of the contract. See detailed instructions in Appendix B of these CPRs ▪ Evaluation and moderation - Officers that form part of the evaluation panel must evaluate and score all technical proposals submitted by Suppliers individually. The commercial evaluation can only be carried out by a Procurement Advisor. A moderation meeting coordinated by a Procurement Advisor will be required to record all final consensus scores. 7. Contract award – Awarding contracts with a value that exceeds £24,999.99 must be made available electronically in the public domain by placing the Contract Award Notice on Contracts Finder. Where the contract value exceeds the relevant OJEU threshold £181,302 (or the corresponding OJEU threshold as set out in 7.2, the Contract Award Notice must be available electronically in the European Journal prior to placing a notice on Contract Finder.

All purchases made under the CPRs require a method to instruct and transact with the supplier which is completed by using the Council's Purchase to Pay system (P2P) or Procurement Card Programme (P-Card).

P2P enables Officers to enter their purchasing requirements, manage authorisation, make payments to suppliers and provides a mechanism to report on the Council's expenditure.

8.2 Using the Council's Approved Suppliers

All suppliers are entered and maintained within the Council's approved supplier database which is managed jointly between the Corporate Procurement Team and Finance. Prior to entering the suppliers onto the database, they must pass assessment criteria to hold approved supplier status on the Council's database. For the avoidance of doubt the use of Approved Suppliers does not negate the responsibility of Officers to undertake a process to achieve best value. Furthermore, named Contractors operating under the Council's corporate contracts cannot be used to avoid undertaking a process for any requirement not confirmed in the related contract.

8.3 Using Dynamic Purchasing Systems (DPS) and Approved Framework Agreements

The Council's Corporate Procurement Team will advertise, tender and award contracts with agreed terms for the Council to use with pre-approved suppliers. These agreements help the Council control its costs and operate with third parties using a robust set of terms and conditions. In addition, the Corporate Procurement Team also has access to Framework Agreements that have been established by other Public Sector Bodies and are accessible to the Council, subject to the terms of the Framework Agreement.

Officers should seek advice from their nominated Procurement Advisor to ascertain if approved suppliers and framework agreements exist for their requirements before entering into a contract.

The Council through their Electronic Procurement System also have access to a Dynamic Purchasing System. This allows the Council to operate an open ended approved supplier list which is available for new suppliers to join on an ongoing basis.

8.4 Create Purchase Requisitions and issuing of Council Purchase Orders

With the exception of a Payment Without Purchase Order (PWPO) request and Procurement Card transactions, all purchasing requirements must be accompanied by an official purchase order which includes the Council's agreed terms and conditions.

An Officer is required to create a purchase requisition in advance of the supply of services, supplies or works which will issue a purchase order to a supplier once approved under the scheme of delegation. Under no circumstances should purchase requisitions be raised retrospectively to cover any invoiced services, supplies or works. If however special circumstances apply then a PWPO form would need to be attached to any retrospective order raised on **Business World Agresso**.

8.5 Confirm Services, Supplies or Works have been received

An Officer is responsible for accepting the services, supplies or works received from the supplier; and ensuring it meets the standards set in the purchase order or contract.

8.6 Payment without Purchase Order (PWPO)

In certain circumstances, there are payments to suppliers or third parties, where it would not be practical to raise a purchase requisition in advance of supplying services, supplies or works. For these exceptions, a Payment without Purchase Order form should be completed. These circumstances where a PWPO applies are listed at:

<http://seattle/Pages/Payment-with-Purchase-Order.aspx>

8.7 Procurement Card Programme (P-Card)

P-Cards are used to procure one off, low cost services and supplies, saving Officers both time spent on ordering and speeding up the delivery of your goods and services. The Card eliminates the need to set

up suppliers, enter purchase requests and handle invoices multiple times across the organisation. P-Cards must not be used to circumvent the CPRs in anyway.

8.8 Segregation of duties in P2P:

The principal roles included in the procurement process are set out in the table below, along with their responsibilities. Whilst activities may be delegated, the person in each role remains accountable for compliance with this policy.

Role	Responsibility	Comments
Originating Officer	The Originator is the nominated contact who understands the business and / or technical need and can develop the technical specification or statement of work	
Requesting Officer	The Requester enters the purchase requirement in the P2P system, attaching requirements and justifications where appropriate	The Requester and Originator can be the same person
Receiving Officer	The Receiver is responsible for accepting the goods and / or services received from the supplier; checking that it meets the standards set in the original requirement	The Receiver can be the same person as the Originator
Procurement Advisor	The role of the Procurement Advisor is to control the companies spend by negotiating and agreeing purchasing agreements with robust legal and commercial terms	The Procurement Advisor cannot be a Requester and Receiver of goods and / or services or authoriser
Authoriser Officer	The Authoriser is accountable for approving purchases made in accordance with Section 7.3 (b)	The Authoriser must not authorise where they are the Originator or Requester of the goods and/or services

8.9 Exceptions to the Contracts Procedure Rules

In certain circumstances, an Officer may require an exception to one or more of the CPRs in order to award a contract. Exceptions are reserved for exceptional circumstances and can only be granted where good reasons can be sufficiently evidenced. Lack of planning or convenience will not be acceptable as grounds for requesting an exception to the rules (As stated in the Public Contract Regulations 2015). Before any exception is sought the requesting Officer must ensure the budget allocation for the exception is in place should the exception be granted. Exceptions can also be granted in relation to the tendering of Concession Contracts up to the relative OJEU Threshold.

8.10 Exception Request Approval Process for each Procurement Threshold

	Total Contract Value (excl. VAT)	Exception Approval Process
Low	£1 to £9,999.99	Not required as long as best value is ascertained.
Medium	£10,000 to £24,999.99	Officers must complete a Tender/Procedural Exception Request Form and submit to the Head of Corporate Procurement for approval
Major (a)	Threshold (a) £25,000 to £74,999.99	Officers must complete a Tender/Procedural Exception Request Form and submit to the Head of Corporate Procurement and their Executive Strategic Director or Director for approval

Major (b)	Threshold (b) £75,000 up to the relevant OJEU threshold 181,301.99 (or £615,278 or £4,551,413 for those contracts detailed below)	Officers must complete a Tender/Procedural Exception Request Form and submit to both their Strategic Director or Director and the Head of Corporate Procurement for approval. Please see Appendices A and B for further details.
OJEU	£181,302 The relevant OJEU threshold and over unless: (a) social care, health and education £615,278 and over (b) works and concession contracts £4,551,413 and over	Officers must seek cabinet approval. [Note it is not lawful to avoid compliance with the UK Public Contract Regulations 2015 - advice must be obtained from the Head of Corporate Procurement]

Any Exception request made against any of the CPRs must be sought in advance of any contractual agreement. Exception requests cannot be made or granted retrospectively.

An Exception relating to the publishing of an advert for any Contract Opportunity over £25,000 (as detailed in EU Procurement Regulations) will only normally be permitted in relation to the areas of procurement detailed in **Exemptions Section 2.2**.

It is not lawful for Officers or Councillors to avoid compliance with The Public Contracts Regulations 2015 or the Concession Contracts Regulations 2016. Therefore, approval of any Exception Requests equal to or over the relevant OJEU Threshold is not permitted without advice being obtained from the Head of Corporate Procurement and before seeking to apply any such exceptions.

All Exception requests to these Rules will be reported to the **Commissioning Board** ~~Corporate Management Team (CBCMT)~~ **as required** ~~on a quarterly basis~~.

Note: **CBCMT** is not involved in approval of exceptions, but will undertake a strategic role in scrutinising and monitoring procurement activity. Where the Corporate Procurement Team believe it to be prudent; an exception will be referred to Internal Audit for further action.

See **Appendix A** for further details on the exceptions request process

8.11 Emergencies

In the case of unforeseeable emergencies which represent or without action would result in:

- Immediate danger to life or health
- Serious damage to property
- Any other circumstance where the consequences of which would be equal to or greater than those above.

Services, supplies and works can be procured by Designated Officers in such emergencies where the Total Contract Value is below £75,000. The emergency circumstances must require the Council to respond immediately to events which are beyond the genuine control of the Council. This includes but is not limited to natural or manmade disasters such as flooding, fires, or civil unrest. Any Emergency procurement must be reported to the Head of Corporate Procurement, by the Officer who put in place the emergency procurement as soon as practically possible and within 72 hours.

Any such Contract entered into on this emergency basis by the Council must not be for a term of more than 4 weeks: during which time the Council must approve any further contracts required on an urgent basis via the Tender/**Procedural** Exception Request if required.

Please note that the CPRs allow for both “immediate” and “urgent” action to be taken by the Council under separate and differing circumstances and approvals. The immediate action permissible under an

emergency situation by designated Officers of the Council is detailed above. The “urgent” action is addressed under the **Exception Process 8.9 (Exceptions to the Contracts Procedure Rules)**.

Section 8.11 constitutes the same means for Emergency and Urgent Expenditure (SO46) as detailed in the Financial Procedure Rules.

9 Contract Management

For a contract classified as a Major Contract or an OJEU Contract within **Section 10**, the Chief Executive, Deputy Chief Executive, Executive Strategic Directors, Directors and Procurement Advisors must ensure during the life of the contract that the Council’s approved processes for contract management are adhered to as set out below:-

9.1 Definition and Scope of Contract Management Activities within the Council

Contract management is the active management of the relationship between the Council and a Supplier over the term of the contract for the provision of services, supplies and works to a set of agreed standards. Contract management should also be proportionate to the value, duration, risk and complexity of the contract. Simple purchase contracts (i.e. an item of office furniture) will usually only require inspection on receipt and payment of the invoice whilst for complex or high value contracts it may be necessary to appoint a full-time Contract Manager or team and develop a contract management plan.

The following are the Council’s key Contract Management principles and are also set out within the Corporate Contract Management Framework as developed by Corporate Procurement:

Principle	Meaning of the Principle
Proportionate	Invest more time and resource to high value, high risk and complex contracts than low value, low risk and low complexity contracts.
Ensure the Council is getting what it pays for	Understand fully the specification, the contract terms and conditions, changes via clarifications and the promises made by the contractor in their tender submission.
Continuous Improvement and Risk reduction	Robust contract management plans ensure that risks are evaluated and mitigated, that performance and customer feedback is sought. Resulting action plans are then agreed, monitored and implemented.
Resolution of poor performance and disputes	Problems are tackled at the earliest opportunity in a collaborative way but utilising the agreed terms and conditions as set out in the contract.
Contractual changes, variations and extensions are documented	All contractual changes are within the law, are documented, signed in line with the contract terms and conditions and are stored securely.
Strong supplier relationships	Relationships are peer-to-peer and therefore deliver a win-win position. This ensures best value, innovation and long-term investment from both parties.
Exit planning	Asset registers are maintained, intellectual property rights considered, accounts are reconciled and loans/performance bonds/guarantees are finalised.
Future planning	Post-contract reports are compiled so as to document the lessons learnt which can be implemented in future tenders.

In particular, the contract management procedures ensure contract compliance, performance management, continuous improvement and value for money is achieved.

The Chief Officers shall ensure:

- They identify where contracts within their departments / service areas require contract management activities and assign Contract Managers to them for the duration of their contract life
- Develop job descriptions, set annual performance objectives and identify training requirements for their Contract Managers
- Their contract managers are aware and follow the procedures set out in the CPRs and the Procurement Toolkit
- Agree with the Head of Corporate Procurement and Head of Internal Audit a proactive plan to review performance.

Each Contract Manager will:

- Manage the contract and ensure day to day activities are carried out in accordance with its terms and conditions
- Monitor the supplier's performance (in accordance with performance indicators and service level agreements)
- Make the contractor aware what Council policies they are expected to comply with
- Undertake appropriate risk assessments and maintain up to date risk registers throughout the duration of the contract period (This should be aligned to the Corporate Risk Policy)
- Agree any minor changes to the contract (excluding terms, conditions or pricing) via a change request procedure and notify their Procurement Advisor
- Liaise with their assigned procurement advisor when considering any proposed variations or extensions to a contract
- Identify, escalate and manage any non-conformance with suppliers
- Keep a record of all valuations, payments, claims, monitoring, changes and certificates under the contract
- Set up regular contract meetings with suppliers to review performance and compliance against the contract.

Procurement Advisors will, in collaboration with the Contract Manager(s):

- Attend contract meetings with suppliers to review performance and compliance against the contract
- Assist in managing any contractual issues raised by either the contract manager or supplier
- Assist in managing any non-conformance identified by the contract manager or supplier
- Review any proposed contract variations and/or extensions
- Ensure that key contract documentation is retained on file as set out in section 7.6

9.2 Variations to Contract

Where a contract allows for variations through its clauses or in instances where a contract has no formal variation process; the Council and the Supplier can mutually agree variations in writing. Officers should consult with their nominated Procurement Advisor to make the necessary variations to the contract – subject to **9.3** and compliance with the Financial Procedure Rules. Any contract which was let with a value above its respective OJEU Threshold must only be varied / modified in accordance of The Public Contracts Regulations 2015 Clause 72 (Modification of contracts during their term).

9.3 Approval of Variations by Chief Officers

Total Contract Value (excl. VAT)	Variation Approval Process
Up to £100,000	Chief Officers in consultation with the Head of Corporate Procurement
Over £100,000	Chief Officers in consultation with the Head of Corporate Procurement and the relevant Cabinet Member (such consultation being recorded in writing using the S.O. 46 procedure)

9.4 The Contract Manager for the Council must ensure the following for each contract which is varied:

- Any variation is only agreed after budget approval has been granted
- Any variation agreed is demonstrably in the best interests of the Council
- Any variation does not bring about a material change to the scope of the Contract
- Both the individual cost of a variation and its cumulative cost when added to the total cost of all other variations (on the same contract) must be less than 50% of the original contract value (this is in line with the Public Contract Regulations 2015, Regulation 72)
- Both the individual cost of a variation and its cumulative cost when added to the total cost of all other variations (on the same contract) must not exceed the relevant OJEU threshold for the original contract. To ensure that variations are within the CPR parameters all contract managers must work in partnership with the relevant procurement advisor to conclude any contract variation.

9.5 Extensions to Contracts

Where the contract clauses allow for an extension to contract, the Council and the Supplier can mutually agree such extensions. Officers must consult with their nominated Procurement Advisor to make the necessary Extensions to a contract where the contract extension:

- has received budgetary approval
- does not vary the scope of the original contract
- Is of commercial benefit to the Council.

For contracts that do not have any clauses to extend the contract, Officers should request an Exception as part of the Exceptions to the CPRs.

Under no circumstances must the contract extension period be longer in duration than the original contract period.

9.6 Approval of Extensions to Contracts

Approval of Contract Extensions (where Contract clauses allow for an extension)	
The Chief Executive Deputy Chief Executive Executives or Executive Strategic Director	Contract with a value over £500k
Authorised Officers	Director- contract with a value up to £500k Head of Service, Group Manager or Assistant Director Group Manager- contract with a value up to £75k Business Unit Manager- contract with a value up to £25k Line Manager- contract with a value up to £10k

**Head Teachers and their
Authorised Officers**

In accordance with the delegated powers stipulated by the relevant
Board of Governors

10 Glossary of Terms

For the purpose of these Rules the following terms have the meanings as set out below:

Term	Meaning of Term
Annual Procurement Plan or 3-Year Pipeline Plan	The Annual Procurement Plan or 3-Year Pipeline Plan which sets out the approach to the procurement of contracts that exceed a lifetime value of £24,999.99 £74,999.99 .
Approved Suppliers	Suppliers who are on the Council's approved supplier database which is managed jointly between the Corporate Procurement Team and Finance. Prior to entering the suppliers onto the database, they must pass assessment criteria.
Authorised Officer	P2P role- the Authorised officer is accountable for approving purchases made in accordance with the Council's scheme of delegation.
Capital	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 Programme	The programme of Capital expenditure agreed by Cabinet.
Chief Officer	The Chief Executive, a Deputy Chief Executive a an Executive Strategic Director, or Director
CIPS	Chartered Institute of Purchasing and Supply.
Corporate Risk Policy	Corporate Approach to Risk Management – the Risk Management tool kit is available on the Intranet http://seattle/Pages/Compliance.aspx .
Concession contracts	A concession agreement is a negotiated contract between a company and a local authority that gives the company the right to operate a specific business within the Council's jurisdiction, subject to certain conditions. This often differs from other Council contracts in the fact that the Council may not provide revenue funding and so the levels of risk in relation to the investment of a company is substantially greater and manages the service through the income generated These contracts allow for negotiations and as such use of the competitive procedure with negotiation will allow business areas to formally evaluate bids, select the successful bidder following an open, fair and transparent procedure and then allow negotiation with the successful bidder before any contract is formally signed.
Contracts Finder	Online government database detailing procurement opportunities in the Public Sector.
Contract Management	Contract management is the active management of the relationship between the Council and the Supplier over the term of the contract for the provision of services, supplies and works to a set of agreed standards.
Contract Managers	Manage the contract and ensure day to day activities are carried out in accordance with its terms and conditions. Full duties are detailed in Section 9 of the CPRs.
Contracts Procedure Rules (CPRs)	This document setting out the principles of procurement, roles and responsibilities, contract procedure rules and processes involved in purchasing services, supplies and works contracts
Contract Register	A register of Council contracts that exceed £74,999 held by the Corporate Procurement Team and published on the Council's e-Procurement system.

Contract Value	The estimated total monetary value of a contract over its full duration. (N.B. not the annual value.) Where the duration of a contract is indeterminate, this will be taken to be the estimated value of the contract over a period of four years.
Council	Southend-on-Sea Borough Council.
Councillor	An elected Member of the Council
Corporate Procurement Team (CPT)	Central team responsible to managing corporate procurements, maintaining procurement standards and controls, and providing advice and guidance to directorates and designated procurement advisors.
Data Protection Act	Data Protection Act controls how personal information is used by organisations, businesses or the government.
Designated Procurement Advisors	Officers appointed by Chief Officers in consultation with the Head of Corporate Procurement to undertake procurement activities in accordance with the CPR.
Designated Procurement Officers	These are officers within service areas across the Council that manage and oversee contracts and would liaise with the Corporate Procurement Team when re-tendering or procuring new contracts
Dynamic Purchasing System (DPS)	A completely electronic system used by a Contracting Authority (buyer) to purchase commonly used goods, works or services. Unlike a traditional framework, suppliers can apply to join at any time
e-Procurement	A system for the end to end tendering process, both suppliers and buyers submit and respond to tenders electronically removing the need for paper submissions.
Equalities Act	Protects individuals from various forms of discrimination and harassment relating to disability, age, gender, religion / belief and sexuality.
EU Procurement Regulations	EU Procurement Rules that apply to public authorities as defined by the UK Public Contracts Regulations 2015
Freedom of Information Act	Freedom of Information Act 2000 is an act defining the ways in which the public may obtain access to government-held information.
Framework Agreement	An agreement with suppliers which sets out terms and conditions under which specific purchases can be made throughout the term of the agreement and which has been tendered in accordance with EC directives
Lead Role	Is accountable for ensuring they follow the procurement process as stated in the Contract Procedure Rules. Section 2.0 page 3
Light Touch	These are Contracts/Procurements which cover Health, Social Care and Education related requirements
Low Value	Total Contract Value (excluding VAT) £1 to £999.99
Major Contract Threshold (a)	Total Contract Value (excluding VAT) £25,000 to £74,999.99
Major Contract Threshold (b)	Total Contract Value (excluding VAT) £75,000 to the relevant OJEU threshold £181,301.99
MEAT	Most Economically Advantageous Tender – evaluated on the basis of quality and price – normally encompassing whole life costs
Medium Contract	Total Contract Value (excluding VAT) £10,000 to £24,999
Minor Contract	Total Contract Value (excluding VAT) £1,000 to £9,999.99
OJEU Contract	All Contract Values (excluding VAT) of £181,302 at the relevant OJEU threshold and over except:

	<p>(a) Social Care, Health and Education where value is £615,278 and over</p> <p>(b) Works/Concession contracts where value is £4,551,413 and over</p>
Originating Officer	P2P role the Originator is the nominated contact who understands the business and/or technical need and can develop the technical specification or statement of work
Payment without Purchase Order form	Authorisation form for agreement for procurement without the prior need to raise a purchase order (available on the intranet under procurement pages)
Pilot contract	This is a short-term contract which is put into place to market test a potential longer-term service provision. Pilot contracts still need to be procured in line with the CPR thresholds and the PCR 2015 regulations
Procurement Card	Corporate Credit Card used for low value procurements
Procurement Thresholds	Controls and process required to undertake a procurement, defined by the value of spend (whole life cost)
Procurement Toolkit	Procedural guide detailing the application of these rules
Purchase to Pay (P2P)	A system to enter purchasing requirements, manage authorisation, confirm receipt of goods and make payments to suppliers
Receiving Officer	P2P Role receiver is responsible for accepting the goods and/or services received from the supplier; checking that it meets the standards set in the original requirement
Requesting Officer	P2P Role requester enters the purchase requirement in the P2P system, attaching requirements and justifications where appropriate
SME	Small to Medium Enterprise – fewer than 250 employees; and annual turnover not exceeding approximately £50 million
SO46	Standing Order within Part 4 (a) of the Constitution detailing the process for urgent action
Social Value Act	Act places a requirement on procurers to consider the economic, environmental and social benefits. Please refer to the Corporate Social Value policy and toolkit
Soft Market Testing	Analysis of the market prior to formal tender
Suppliers	Contractors supplying goods, services or works to the Council
Sustainable Procurement Policy	The corporate policy emphasises the importance of socially responsible procurement, assessing whole life costs and social, environmental and economic impact.

Exceptions from Tendering Requirements in the Contracts Procedure Rules (CPRs) (sections 8.9 and 8.10)

The following exceptions from tendering requirements may be applied following the prior approval Tender Exception Request Form.

The Exceptions from having to Tender are:

1. For the purchase of supplies, works or services which is prevented by Legislation.
2. If the supply of goods or materials to be acquired constitutes an extension of an existing supply contract. The extension can only be granted if all the following criteria are met:
 - The increase to the quantity of goods and materials was not envisaged at the time the original contract was awarded.
 - The extension is based upon comparable terms and conditions as the original contract.
 - The extension has a value less than 50% total value than the original contract requirement.
 - The extension does not breach the threshold of the EU Regulations.
3. For the execution of works or provision of services where the proposed contract outlined in the Exception Request is required due to unforeseen technical or economic reasons and is directly linked to the continuation and success of an existing contract. The existing contract itself must have been awarded competitively in accordance with the CPRs:
 - If the proposed contract is to be undertaken by the Contractor named in the existing contract, terms of the proposed contract must be negotiated on the basis of the rates and prices contained in the existing contract; or
 - If a new Contractor has been sought then the Exception Request must be accompanied with evidence outlining the steps taken to ensure best value for the Council.

This Exception does not cover works and services carried out under annual contracts or values for proposed contracts that are greater than the relevant EU Threshold.

4. Where it is considered the execution of works or the supply of either goods or services is required so urgently so as not to permit the invitation of tenders. Any request for an exception under this clause must be based upon circumstances which could not have been reasonably foreseen. Exceptions cannot be granted under this clause where a lack of foresight has given rise to difficulties.
5. In circumstances where a contract does not contain an option for an extension: but where an extension is required to facilitate a full and compliant tender exercise for operational reasons. An extension can only be granted under this clause if:
 - The initial contract itself was awarded as part of a competitive procurement process under the CPRs
 - The terms under which the extension is agreed must be equal to the existing contract in relation to the Scope, the Pricing and the Terms and Conditions

The actual length of any extension granted under this clause is at the discretion of the Head of Corporate Procurement: but cannot be more than 12 months in duration and cannot be longer than the initial contract itself. Only in circumstances where delays in publicised changes to legislation would make procurement impractical can multiple extensions be granted in relation to a single contract. In all other cases this exception may only be used once per contract.

Tender Opening Procedures

1 Opening of Tenders received via E-Procurement

Where the Council uses an electronic tendering system that releases submissions for opening at a predetermined date and time then pre-qualification questionnaires (PQQ or equivalent) and tenders submitted through that system may be accessed and opened by a member of the Corporate Procurement Team through that system.

Where a member of the Corporate Procurement Team is authorised to release any of the documents detailed above that officer must not have been a part of the project team charged with the delivery of that procurement or any part thereof.

For the avoidance of doubt: PQQ and Tender Documents, as well as all other supporting information must not be opened before the stipulated deadline for submission has passed. This is the case both for submissions received by the Council via any e-procurement system and any received in hard copy.

2 Opening of Tenders received in hard copy

2.1 Outline of Responsibilities

No officer involved in any way with the drawing up of the specification and the tender documents may participate in the receipt of the tender, in its custody pending opening or in the tender opening process.

All tenders shall be returned to the Customer Service Centre on the Ground Floor of the Civic Centre or the Post Room of the Civic Centre where they will be receipted and annotated with the date and time of receipt by the staff at either location, who will then contact the correct team to organise collection. The individual within the Corporate Procurement Team charged with collection of the Tenders must ensure that all items to be collected are stamped and the time of delivery clearly marked.

All Tenders should:

- Bear the corporate reply label or addressed to Southend-on-Sea Borough Council Customer Services Centre;
- Be sealed and marked "Tender";
- Be annotated with the subject to which the tender relates; and
- Not indicate the identity of the sender.

2.2 Opening of Hard Copy Tenders

Tenders must be opened in a secure and confidential environment, with openers being undistracted.

Forms used as tender opening records must be prescribed or approved by a Senior Procurement Advisor.

Each of the following must be stamped and initialled by both designated openers:

- Any cover letter bearing a signature
- Any other page bearing a signature that is not certification of any kind pertaining to insurance, quality assurance, health and safety and so on
- Any page bearing a cost that may be applied to the resulting contract(s)
- All Tender Forms including Contract Variation, Bona fide Tender, Tender Form and Freedom of Information.

Date stamping and initialling priced pages of tender documents is an important authentication if correction of errors is to be admitted according to Council's Financial Procedure Rules.

The opening of tenders and recording of their details shall be subject to the following regulations:

- They must not be opened before the deadline for submission stipulated in the tender documents;
- They must be opened at one time by not less than two persons (one of whom would be from the Corporate Procurement Team) designated for the purpose by the appropriate Chief Officer;
- No Officer or Councillor of the Council may be present at the opening of tenders if they have a material interest in relation to the subject or result of the tender. Factors that can be suggestive of a material interest and would preclude attendance at a tender opening include, but are not limited to a connection to a possible tenderer through family, friends or other business associates.

Additionally any corrective amendments by tenderers to their tender prices must be initialled by both designated openers and annotated in the tender opening record.

3 Late Tenders (either Electronic or Hardcopy Tenders)

Any tender received by the Council after the relevant deadline for submission has passed will not be evaluated by the Council. For the avoidance of doubt: once the deadline has passed, any tender delivered later than the deadline (regardless of its proximity to the deadline) must not be included in the evaluation process.

Only in instances where due to unforeseen circumstances a pre confirmed extension to a deadline has been made available to all Tenderers, can submissions be accepted after the deadline stipulated in the tender documents. Any such extension cannot be granted for the benefit of a single tenderer. The granted extension must be fully justifiable and meet the full challenge of any audit of the process. The closer to the deadline that an extension is granted the stronger the justification will be required to be. Any revised deadline stipulated as part of an agreed extension will itself be subject to the same level of finality detailed in the paragraph above and any tender received by the Council after the revised deadline for submission has passed will not be evaluated by the Council.

The entire process of opening late tenders is detailed in the Procurement Toolkit. However, late tenders must not be opened before electronic, scanned or photographic evidence confirming their lateness has been forwarded to the Head of Corporate Procurement. Only after the written approval to open the late tender has been provided by the Head of Corporate Procurement can that tender be opened by a Procurement Advisor with no connection to the Tender Process in question. The opening of any Late Tender (Hardcopy) must be documented using a Late Tender Form. Both evidence of approval to open a late tender and the accompanying Late Tender Form must be saved in the corresponding Tender Project File.

4 Alterations / Corrections to either Electronic or Hardcopy Tenders

The Tenderer may not amend or request amendment to their tender after the date and time fixed for the receipt of tenders.

However, if the Council encounters an error in a tender consisting of incomplete or incorrect information then the Council may at its discretion request the Tenderer concerned to submit, supplement, clarify or complete the relevant information or documentation within an appropriate time limit, provided that such requests are made in full compliance with the principles of equal treatment and transparency.

In determining whether such an error has been made in relation to a received tender submission Council Officers must assess this in direct relation to the information contained in that submission or to the tender documentation issued by the Council. The error relating to the specific tender must be clear, self-evident and obvious. Under no circumstances will an issue shown up as a result of cross referencing against any other tender submission be accepted as such an error.

All action undertaken in relation to seeking alteration or correction information must be based on an unbiased and objective assessment of the entire tender process it is being applied to. The action itself must be taken in a manner that treats all participating tenderers fairly. Any communication issued in relation to the action must ensure the validity and effectiveness of the procurement.

Key factors in assessing if alteration or correction information will be sought in relation to an error accepted by the Council will include but not be limited to:

- Number of Tenders returned in relation to the project
- If any of the other Tenderers made the same error
- If other Tenderers did make the same error what proportion of the overall returns does this represent
- Clarity of the information issued by the Council
- If the error is a complete omission of required information
- Is it possible to request clarification on an issue from all of the competing Tenderers involved without unfairly disadvantaging any of those Tenderers
- Is the justification relating to the clarifying of an issue by all Tenderers in the process able to withstand audit scrutiny, challenge by a Tenderer and lead to a more robust evaluation
- The strict time period in which the Tenderer will be required to respond

Subjective information including the identity of the company or stakeholder preference must not be used as a basis to seek alteration or correction information.

Under no circumstance must any Council Officer use this clause to unfairly assist a tenderer to gain a more favourable tender score at the expense of the other competing tenderers or the Council's good reputation.

Corporate Procurement must maintain a record / audit trail of any action taken and justification for that action taken in relation to errors found in any tender.

5 Training

It is the responsibility of the appropriate Chief Officer of each department or establishment involved in the tendering process to ensure that all relevant members of staff are trained in the correct procedures, and issued with the Contract Procedure Rules and the Tender Opening Procedure guidance available.

The Corporate Procurement Team will support Council officers by providing training, advice, and any necessary templates to enable them to understand and adhere to the CPRs and tender effectively.

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