

Chapter 5

Part 1 – Financial Regulations



Castle Point Borough Council

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1. Introduction

1.1. Context

These Financial Regulations set out the financial policies and the framework for managing the Council's financial affairs. The Financial Regulations should be read and used in conjunction with the Council's other policy documents and guidance.

The Financial Regulations are organised around seven themes, as follows:

- (a) [Financial planning](#) (Section 3)
- (b) [Financial management](#) (Section 4)
- (c) [Accounting records and financial systems](#) (Section 5)
- (d) [Risk Management and Internal Control](#) (Section 6)
- (e) [Control of resources](#) (Section 7)
- (f) [Income and expenditure](#) (Section 8)
- (g) [External arrangements](#) (Section 9)

They seek to ensure that the Council conducts its affairs in a way that complies with specific statutory provisions, generally accepted accounting principles and professional good practice.

Officers and Members are authorised to make decisions in accordance with these Financial Regulations, but they do not authorise any person to make a decision which is contrary to any provision in the Constitution.

1.2. Financial responsibilities

An overview of the financial responsibilities of the Council, the Cabinet, various Committees, the Chief Executive, the Assistant Director, Finance & Procurement, Directors, and the Monitoring Officer is provided in **Section 2** of the Financial Regulations. Specific responsibilities are explained, in context, throughout the Financial Regulations.

The Assistant Director, Finance & Procurement is the Council's Chief Financial Officer under Section 151 of the Local Government Act 1972 and is responsible for maintaining a continuous review of the Financial Regulations and for updating them, as necessary, for the Council to approve. The Assistant Director, Finance & Procurement is also responsible for reporting, where appropriate, breaches of the Financial Regulations to the Cabinet and/or to the Council.

1.3. Advice and guidance to underpin Financial Regulations

The Assistant Director, Finance & Procurement will, from time to time, issue advice and guidance to underpin the Financial Regulations, ensure compliance with specific statutory

provisions and reinforce best professional practice. Members, officers and others acting on behalf of the Council are required to comply with such advice and guidance.

1.4. Compliance

All financial and accounting procedures must be carried out in accordance with the Financial Regulations and with any other corporate guidance issued by, or on behalf of, the Assistant Director, Finance & Procurement.

Directors will ensure that their staff are aware of the existence and content, of the Council's Financial Regulations and other corporate guidance and ensure compliance with them.

Non-compliance with these Financial Regulations, and with any other corporate guidance issued by the Assistant Director, Finance & Procurement, constitutes a disciplinary matter that will be pursued, as appropriate, in accordance with the Council's Disciplinary Policy.

1.5. Scope of the Regulations

The Financial Regulations, including advice and guidance issued to underpin the Financial Regulations, apply to all services of the Council.

1.6. Scheme of Delegation for Financial Management

The Scheme of Delegation for Financial Management, as set out within Part Two of this document, defines how the responsibilities set out within the Financial Regulations are reserved or delegated to officers. This must be read in conjunction with the general scheme of delegation to Officers which is set out in the Constitution.

2. Financial roles and responsibilities

2.1. Introduction

The roles and responsibilities of Members and Officers are set out within the Council's Constitution. The purpose of the Financial Regulations is to explain the respective financial roles and responsibilities of Members and Officers within the Council. Specific financial responsibilities are set out in the subsequent sections of the Regulations.

2.2. Council

The Council is responsible for:

- (a) Adopting and changing the Constitution (*including the Financial Regulations*), which sets out how the Council works, how decisions are made and the procedures to be followed to ensure efficiency, transparency and accountability to local people.
- (b) Approving and adopting the policy framework which is a series of documents that either the law or the Council require to be adopted at a meeting of full Council. This includes major corporate policies, and is developed in line with the Council's **Budget** and **Policy Framework Procedure Rules** (contained within Chapter 2 of the Constitution).
- (c) Approving the annual budget, which includes:
 - (i) The allocation of financial resources to different services and to capital projects.
 - (ii) The level of contingency funds, reserves and balances to be held.
 - (iii) The Council Tax base and setting the Council Tax.
 - (iv) The annual Capital Strategy (which comprises decisions relating to the control of the Council's borrowing requirement, the setting of Prudential Indicators that define the parameters for borrowing activity, the Treasury Management Strategy, and its Minimum Revenue Provision (MRP) policy for the repayment of debt).
 - (v) The annual pay policy statement.
- (d) Making 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.
- (e) Making arrangements for approving the statutory annual statement of accounts by dates specified by relevant regulations.

2.3. Cabinet

The Cabinet, under the direction and authority of the Leader, is responsible for:

- (a) The preparation of the Council's budget and policies forming part of the policy framework and making recommendations on them to Council.
- (b) Taking decisions on resources and priorities to deliver and implement the Council's policies and budget.

- (c) Determining overall Council priorities within the Budget and the Policy Framework set by full Council, to keep under review those priorities and to approve specific plans and strategies.

One member of the Cabinet has specific strategic responsibility for financial administration and management, including preparation and management of the revenue and capital budgets, precepts, levies and borrowing. At the time of writing, this responsibility sits with the **Cabinet Member for Resources**.

Throughout the remainder of this document, where it is stated that the approval of the **Cabinet Member with responsibility for Finance** is required, this means the **Cabinet Member for Resources** or the **Leader of the Council** (or, in the absence of both, the **Deputy Leader**) (or whichever Cabinet Member subsequently has specific strategic responsibility for financial administration and management, as set out within the Constitution).

2.4. Overview and Scrutiny Committee

The Overview and Scrutiny committee exercises the function of call-in of decisions made by Cabinet Members which fall within their remit in order to consider whether:

- (a) To refer the decision back to the person who made it; or
- (b) To refer the matter to the full Council to decide whether to refer the decision back to the person who made it; or
- (c) To accept that the decision is implemented.

In this context, the Committee is responsible for scrutinising the financial arrangements and performance of the Council, including considering the financial position and management of the Council's finances and budgets (revenue and capital). It also contributes to the Council's objectives in relation to the overall strategic direction, policies and priorities of the Cabinet and of the Council, including the overall corporate revenue and capital budget strategy, financial resources, precepts and levies.

2.5. Audit and Governance Committee

The functions of the Audit and Governance Committee are set out in full in the Council's Constitution. However, in summary, the Committee's responsibilities with regard to the financial management of the Council include:

- (a) Approving the Council's Annual Statement of Accounts.
- (b) Considering the Council's arrangements for corporate governance and risk management and approving the Annual Governance Statement.
- (c) All matters related to the appointment of the Council's external auditor.
- (d) Receiving, considering and commenting on reports issued by the External Auditor, including the External Auditor's Annual Audit Plans, Reports on the Financial Statements, Annual Audit Letters, reports on specific matters and written recommendations.

- (e) Ensuring that there are effective relationships between external and internal audit, inspection agencies and other relevant bodies, and that the value of the audit is actively promoted.
- (f) Receiving reports from the Council's Internal Auditor on the outcome of audit reviews and investigations and the implementation of recommendations, including the annual report of the **Chief Audit Executive** (which, at the time of writing, is a role fulfilled by the Head of Assurance).
- (g) Monitoring the effectiveness of the Council's **Financial Regulations, Procurement Policy and Procedures** and other strategies for **counter fraud and corruption, declarations of interest, gifts and hospitality, whistle blowing and anti-money laundering**.

2.6. Statutory Officers

2.6.1. Head of Paid Service

The **Chief Executive** is the **Head of Paid Service** and is responsible for the corporate and strategic management of the Council as a whole. The functions of the **Head of Paid Service** are explained fully in the Council's Constitution.

2.6.2. Chief Financial Officer

Section 151 of the Local Government Act 1972 specifies that every authority shall make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs. At the time of writing:

- (a) The Council's **Assistant Director, Finance & Procurement** is the designated officer for this purpose. The **Chief Accountant** fulfils this role in the absence of the Assistant Director, Finance & Procurement unless alternative arrangements are made by the **Assistant Director, Finance & Procurement**.

Throughout the remainder of this document, where it is stated that the approval of the **Section 151 Officer** is required, this includes the **Deputy Section 151 officer** when acting in the capacity of Chief Financial Officer for the Council.

The **Section 151 Officer** has statutory duties in relation to the financial administration and stewardship of the Council that cannot be overridden. These statutory duties arise from:

- (a) **Section 151 of the Local Government Act 1972** which requires the Council to make arrangements for the proper administration of its financial affairs and secure that one of its officers has responsibility for the administration of those affairs.
- (b) **Section 114 of the Local Government Finance Act 1988** which places a duty on the **Section 151 Officer** to report to all Members of the Council, and to the Council's external auditor, if it is considered that the Council, Cabinet or an employee has made (or is about to make) a decision involving expenditure or loss which is unlawful.

- (c) The **Local Government and Housing Act 1989** which requires the **Section 151 Officer** to consult with the **Monitoring Officer** and the **Head of Paid Service** before making a Section 114 report to Council.
- (d) The **Local Government Act 2003** which requires the **Section 151 Officer** to make a report to the Council, when it is considering its budget and council tax, which addresses the robustness of the estimates and adequacy (or otherwise) of reserves.
- (e) The **Accounts and Audit Regulations 2015**, which require the **Section 151 Officer** to ensure that the accounting control systems are observed, that the accounting records are maintained in accordance with proper practices and that they are kept up to date.

To fulfil these statutory duties and legislative requirements the **Section 151 Officer** will:

- (a) Set appropriate financial management standards for the Council which comply with the Council's policies and proper accounting practices and monitor compliance with them.
- (b) Determine the accounting records to be kept by the Council.
- (c) Ensure there is an appropriate framework of budgetary management and control.
- (d) Monitor performance against the Council's budget and advise upon the corporate financial position.
- (e) 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 Council; all finance staff will have a direct reporting line to the **Section 151 Officer**.
- (f) Prepare and publish the Council's Statement of Accounts for each financial year, in accordance with the timetable and arrangements specified by law.
- (g) Make proper arrangements for the audit of the Council's annual Statement of Accounts.
- (h) Ensure that claims for funding, including grants, are made by the due date and in compliance with the terms and conditions of the awarding body.
- (i) Make proper arrangements for the overall management of the Council's Internal Audit function.
- (j) Manage treasury management activities in accordance with the Council's Treasury Management Strategy, Investment Strategy and Prudential Indicators.

2.6.3. Monitoring Officer

The functions of the Monitoring Officer are explained fully in the Council's Constitution. However, the functions that are pertinent in the context of the Financial Regulations include:

- (a) Reporting, after consultation with the Head of Paid Service and the Section 151 Officer, any actual or potential breaches of the law or mal administration to the Council and/or to the Cabinet.
- (b) Advising whether the decisions of Cabinet are in accordance with the budget and policy framework.

- (c) Provision of advice to all councillors on the scope of powers and authority to take decisions, mal administration, financial impropriety, probity and budget and policy framework issues.

2.7. Directors

Directors have delegated responsibility for the financial management of their services. This responsibility must be exercised within the corporate financial management framework determined by the **Section 151 Officer**, and includes:

- (a) Putting in place appropriate budget management and delegation arrangements to ensure the effective use of resources, the safeguarding of assets and the operation of a system of appropriate internal controls.
- (b) Promoting appropriate financial management standards within their Services, and monitoring adherence to the standards and practices, liaising as necessary with the **Section 151 Officer**, and ensuring that relevant training is provided to staff with financial management responsibilities.
- (c) Promoting sound financial practices in relation to the standards, performance and development of staff in their services.
- (d) Advising Cabinet Members and the **Section 151 Officer** of the financial implications of all proposals.
- (e) Seeking approval, in conjunction with the **Section 151 Officer**, on any matter liable to affect the Council's finances materially, before any commitments are made.
- (f) Obtaining the approval of the **Section 151 Officer** on any proposal to commission external financial and/or tax advisory services on behalf of the Council; this requirement does not apply to the Monitoring Officer, although they must consult the Section 151 Officer before commissioning such advice.
- (g) Consulting with, and obtaining the approval of, the **Section 151 Officer** before making any changes to accounting records or procedures.
- (h) Complying with the following principles when allocating accounting duties:
 - (i) Separating the duties of providing information about sums due to or from the Council and calculating, checking (*including reconciling the accounts*) and recording these sums from the duty of collecting or disbursing them.
 - (ii) Employees with the duty of examining or checking the accounts of cash transactions must not themselves be engaged in these transactions.
- (i) Ensuring that claims for funds (*including grants, contributions and 'match funding'*) are made, in accordance with accounting instructions issued by the **Section 151 Officer** and the conditions defined by the awarding body, by the due date and that appropriate records are maintained.
- (j) Contributing to the development of performance plans in line with statutory requirements.
- (k) Contributing to the development of corporate and service targets and objectives and performance information.

2.8. Internal audit

Internal Audit will review, appraise and report upon:

- (a) The extent of compliance with, and effectiveness of, relevant policies, plans and procedures.
- (b) The adequacy and application of financial and other related management controls.
- (c) The suitability of financial and other related management data.
- (d) The extent to which the Council's assets and interests are accounted for and safeguarded from loss of any kind from:
 - (i) Fraud and other offences.
 - (ii) Waste, extravagance and inefficient administration.
 - (iii) Inefficient value for money or other causes.
- (e) Directors' self-assessments of the status of the governance framework, including systems of internal controls in place, for each of their service areas.

Further details on the internal audit function are set out in paragraph **6.6.2**.

3. Financial Planning

3.1. Policy framework

The Council is responsible for agreeing the Council's Organisation Plan and budget. In terms of financial planning, the key elements of the Budget are the:

- (a) Revenue budget.
- (b) Capital programme.
- (c) Contingency funds, reserves and balances.
- (d) Council tax base and setting the Council Tax.
- (e) Capital Strategy (comprising the parameters for borrowing activity, the Treasury Management Strategy, and the Minimum Revenue Provision (MRP) policy for the repayment of debt).
- (f) Annual pay policy statement.

3.2. Corporate Plan 2021-24

The Council's ambitions are outlined in corporate policies. At the time of writing, the highest-level document is the Corporate Plan 2021-24, the Council's Plan to improve the borough. This sets out the Council's long term strategic aims and priorities.

The Corporate Plan is a key element of the Council's planning framework – through which the Council ensures that its resources are used to secure progress against a consistent and enduring set of aspirations.

3.3. Revenue budget

3.3.1. Revenue income and expenditure

Revenue income and expenditure represents the current or day to day running costs, and associated receipts, of the Council; including salaries, heating and lighting, travelling and office expenses, income raised by charging service users and government grants.

3.3.2. Revenue budget

Budgets (spending plans) ensure that the Council can plan, authorise, monitor and control the way money is allocated and spent.

The revenue budget must be constructed to ensure that resources are allocated in a way that reflects the service plans and priorities of the Council. The **Section 151 Officer** is responsible for developing and maintaining a resource allocation process that ensures this is achieved.

3.3.3. Budget preparation

The **Cabinet Member with responsibility for Finance** and the **Leader**, in conjunction with the **Section 151 Officer**, will manage the preparation of the budget on an annual basis for consideration by the Council. The annual budget will include allocations to different services and projects, proposed taxation levels, reserves and contingencies.

The **Section 151 Officer**, in consultation with the **Cabinet Member with responsibility for Finance**, will issue detailed guidance and a timetable for production of the budget. Directors must prepare detailed draft revenue and capital budgets, in consultation with the **Section 151 Officer** and the **Cabinet Member with responsibility for Finance**, and in accordance with the laid-down guidance and timetable, for consideration by the appropriate Cabinet Member.

Detailed budgets, as proposed by Directors, will be subject to challenge and review through a process determined by the **Section 151 Officer**. Any proposed changes to service levels as a result of budget plans will be subject to an Equalities Impact

Assessment as part of the consideration process before approval and implementation. The Council will engage partners in the budget preparation process where possible and appropriate.

The **Section 151 Officer** has a statutory duty to report upon the budget proposals presented to Council (see paragraph 2.6.2). Directors must provide the **Section 151 Officer** with any information required to enable the robustness of the budget proposals to be assessed.

The budget and the implied level of taxation will be presented for approval by full Council, following recommendation by the Cabinet. Council Tax and Non-domestic rates must be set by **1st March** in the year prior to the year of taxation.

3.3.4. Format of the budget

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 and sets the level at which funds may be reallocated within budgets (*see paragraph 4.3.3 for further details*).

3.3.5. Maintenance of reserves

Reserves are maintained to enable the Council to cope with unpredictable financial pressures, and to plan for future spending commitments. A general reserve is maintained as a contingency to protect the budget against cost pressures and unforeseen future events, whilst earmarked reserves are held to protect funds for specific purposes.

The creation of any reserve will be subject to the approval of the **Section 151 Officer**, upon consultation with the **Cabinet Member with responsibility for Finance**. For each reserve

established, the purpose, usage (*including the timeframe for usage*) and basis of transactions will be clearly articulated.

Increases in existing reserves come about through three routes:

- (a) Through the budget setting process, the setting of which requires full Council approval.
- (b) By returning funds previously drawn from reserves that are no longer required for the agreed purpose, which requires approval by the Section 151 Officer.
- (c) By transfer of an under spend or new additional income into reserves in accordance with the table below:

Amount	Minimum approval required
Up to and including £100,000	Section 151 Officer
More than £100,000, but not more than £250,000	Section 151 Officer (following consultation with the Cabinet Member with responsibility for Finance.
More than £250,000 and above, but no more than £500,000	Cabinet Member with responsibility for Finance (following consultation with the Section 151 Officer)
More than £500,000	Cabinet (following consultation with the Cabinet Member with responsibility for Finance and the Section 151 Officer)

The withdrawal of funds from reserves is subject to approval in accordance with paragraph 4.3.4 on supplementary estimates.

The **Section 151 Officer** will advise upon prudent levels of reserves and balances for the Council, taking into consideration the degree of risk in the budget for the Council over the medium and longer term.

Under section 114 of the Local Government Finance Act 1988 the **Section 151 Officer** must report to Council if there is or is likely to be unlawful expenditure or an unbalanced budget. This would include situations where reserves have become seriously depleted and it is forecast that the Council will not have the resources to meet its expenditure in a particular financial year.

No funds withdrawn from a reserve may be spent other than for the purpose agreed at the time the withdrawal was approved without the prior agreement of the **Section 151 Officer** in consultation with the **Cabinet Member with responsibility for Finance**.

3.4. Capital financial planning

3.4.1. Capital expenditure

Expenditure is classified as capital expenditure when it results in the acquisition or construction of an asset (e.g. land, buildings, roads and bridges, vehicles, plant and equipment etc.) that:

- (d) Will be held for use in the delivery of services; and
- (e) Is expected to be used during more than one financial year.

Subsequent expenditure on existing assets is also classified as capital expenditure if these two criteria are met.

There may be instances where expenditure does not meet this definition but would nevertheless be treated as capital expenditure, including:

- (a) Where the Council has no direct future control or benefit from the resulting assets but would have treated the expenditure as capital if it did control or benefit from the resulting assets.
- (b) Where the Government has given explicit permission to apply capital financing resources to fund expenditure that would not otherwise meet the criteria for capitalisation (this is rare though).

The Council operates a number of de-minimis limits for capital expenditure. This means that items below these limits are charged to revenue rather than capital. The limits are currently as follows:

De-minimis limits	£
General limit (<i>to be applied where no specific limit is applicable</i>)	10,000
Specific limits:	
Housing Revenue Account	10,000
Land	Nil

The **Section 151 Officer** is responsible for the application of these de-minimis limits and will report any exceptions to the **Cabinet Member with responsibility for Finance**.

Where expenditure meets the ‘capital expenditure’ definition and is in excess of the Council’s de-minimis limits, it will be classified as capital expenditure, even if provision exists within the Revenue Budget to fund the work (*and vice versa*).

Similarly, where specific financing (*e.g. government grant*) is provided to facilitate a project, this will not determine the accounting treatment of the expenditure. That is, the accounting treatment is determined according to the type of expenditure, and not by the funding source (*see paragraph 5.1*).

3.4.2. Capital programme

The **Cabinet Member with responsibility for Finance**, in conjunction with the **Section 151 Officer**, will manage the preparation of a capital programme, on behalf of the Council, on an annual basis in accordance with the Council’s capital projects’ governance arrangements and capitalisation criteria.

Each project that is added to the Capital Programme will be for the provision and for the purpose of delivering public services (including housing, regeneration and local infrastructure) or in support of joint working with others to deliver such services. No schemes will be added to the Capital Programme if their only purpose is to achieve a financial return.

Each scheme that is added to the Capital Programme is allocated:

- (a) A '**start date**' for planning purposes
- (b) An overall '**scheme approval**' which sets the overall budget for the scheme
- (c) An '**annual payments guideline**' which sets the parameters for expenditure in each of the financial years over which the scheme is expected to span.

3.4.3. Financing of capital expenditure

The **Cabinet Member with responsibility for Finance**, in conjunction with the **Section 151 Officer**, will determine the financing of the capital programme, taking into consideration the availability of reserves, funding from other bodies and the affordability of borrowing.

3.5. Leasing and rental arrangements

Leases of land or buildings and other property agreements will only be authorised for completion, on the Council's behalf, in accordance with the delegations set out in paragraph **7.1.4**. The relevant Finance support will be consulted as part of this process.

Other leasing arrangements (*including rental agreements and hire purchase arrangements*) will only be entered into with prior approval, as follows:

Type of lease	Approval required
Vehicles, plant and equipment	Section 151 Officer
Short term rentals (less than one year)	Assistant Directors or Directors

Prior approval is required to enter into leases to ensure that:

- (a) Leases can be accommodated within the borrowing limits set by the Council.
- (b) Such arrangements represent best value for money and are accounted for appropriately.

3.6. Internal trading activities

3.6.1. Definition and framework

Where services are delivered by one Council function to others within, and external to, the Council, and users of that service have choice about whether and how much to buy then the service is likely to be 'trading'. Where a significant proportion of a service's activities are delivered by trading, the service may need, or wish, to be formally designated as an internal trading activity.

Services are only permitted to operate as an internal trading activity with the prior approval of the **Cabinet**, following consultation with the **Section 151 Officer**.

Services wishing to operate as an Internal Trading Activity must demonstrate that they are:

- (a) Providing all, or the majority, of their services in an environment where their customers have the option to use them or an alternative service provider; and
- (b) Charging for the full cost of the goods / services they provide, based on an agreed charge or rate.

Approved internal trading activities must maintain a Trading Account. Trading Accounts are:

- (a) Charged with all expenditure related to the provision the trading activity's services (including direct costs, the full costs of services provided by the Council's support services, any service management provided by senior managers and asset and other accounting charges).
- (b) Credited with all income due for work done by the trading activity.

Trading activities are required to balance their budgets by generating sufficient income to cover the full costs of the services they provide.

Trading activities must operate within the Council's overall arrangements and rules for personnel and resource management. Cabinet may approve special arrangements in exceptional circumstances, where it can be demonstrated that adherence to these rules and arrangements would lead to the trading activity becoming uncompetitive and losing work and that the proposed departure does not expose the Council to significant risk.

3.6.2. Financial targets

Each trading activity must prepare an annual financial plan for approval by the Council as part of the annual budget setting (*see paragraph 3.1*), which defines the expected levels of income and expenditure for the year.

Trading activities must, as a minimum, aim to break-even (*i.e. only incur expenditure that can be financed from the income the activity expects to generate during the year*). It is only permissible to plan for a deficit in exceptional circumstances, and then only if the deficit can be met from the trading activity's own accumulated revenue reserves or, in exceptional circumstances, from an approved contribution from the General Fund.

3.6.3. Trading reserves

Trading activities are permitted to retain the surpluses they generate, provided they can demonstrate that these are necessary for the future business needs of their operations. The **Section 151 Officer** will advise the Cabinet Member with responsibility for Finance, after consultation with the relevant Director(s), if the level of cash balances held by a trading activity exceed those deemed necessary to meet the business needs of the operation. The **Cabinet Member with responsibility for Finance** will then determine whether the excess balances are transferred to the General Fund or another reserve.

The approval of the **Cabinet Member with responsibility for Finance** is required where it is proposed to transfer part of a trading activity's reserves to finance expenditure by another trading activity or a Service, or to receive a contribution from another trading activity or Service.

3.6.4. Closing a trading account

The approval of the **Cabinet**, in consultation with the **Section 151 Officer**, is required where it is proposed that a trading activity ceases to operate on that basis.

The **Cabinet Member with Responsibility for Finance**, in consultation with the **Section 151 Officer**, may recommend closure of a trading account where the trading activity fails to at least break-even for two successive financial years and/or where the trading activity has exhausted its revenue reserve.

In the event that a trading activity has revenue reserves remaining upon closure of its trading account, the residual balance will be transferred to the General Fund or to another reserve.

3.7. Capital and treasury management strategy

The **Cabinet Member with responsibility for Finance**, in conjunction with the **Section 151 Officer**, will propose an annual Capital and Treasury Management Strategy (comprising the borrowing and investment strategy, a set of Prudential Indicators and the policy for making revenue provision for the repayment of debt (*referred to as the 'Minimum Revenue Provision' policy*)) to the Council in advance of the start of the relevant financial year. These will be consistent with the Council's revenue budget and capital programme proposals.

These documents are required to comply with the CIPFA Codes of Practice on Treasury Management and on the Prudential Framework for Capital Finance, relevant regulations and with Treasury Management Practices; they will set the parameters within which investment and borrowing activity will be managed during the forthcoming financial year.

3.8. Medium Term Financial Strategy (MTFS)

The MTFS brings together the key assumptions about financing resources (including council tax, non-domestic rates and general government grants) and spending pressures over the medium to longer term. This enables the Council to plan for financial risks and thus inform the setting of service financial targets for the annual revenue budget and capital payments guidelines.

The **Section 151 Officer** will ensure that reports are presented to Council, as part of the annual budget setting, on the medium-term budget prospects and the resource constraints set by the Government.

3.9. Fees and charges policy

The expectation is that fees and charges will be set at a level to ensure full cost recovery is achieved as a minimum. However, this principal may be overridden where there are legislative caps or limits, or it can be demonstrated that full cost recovery would result in an uncompetitive price in the market. Assistant Directors will be required to evidence to the **Section 151 Officer** where full cost recovery is not appropriate.

Charges will be reviewed annually. All new charges, and amendments to existing charges, will be subject to formal approval in accordance with the Council's Constitution. The **Section 151 Officer** will, as part of the annual budget setting process, determine a corporate inflation rate to be used for fees and charges. Assistant Directors will be required to use this inflation rate unless the delegations within the Constitution specifically set out alternative governance arrangements for a particular fee or charge, applying the corporate inflation rate would be in excess of what is allowed for in legislation or it is evidenced that doing so would result in an uncompetitive price in the market.

Further detail on income is provided in Section 8.1.

3.10. Pay policy

The pay policy must be prepared as required by law. The pay policy sets out the Council's policy on the level and elements of remuneration for each chief officer, the remuneration of its lowest paid employees, and the relationship between the remuneration of its chief and other officers. It must also address other specific aspects of chief officer remuneration such as remuneration on recruitment, increases and additions to remuneration, use of performance related pay and bonuses, termination payments and transparency.

4. Financial Management

4.1. Introduction

Financial management covers all financial accountabilities in relation to the running of the Council, including the policy framework, revenue budget, trading activities' financial plans, capital programme and treasury management.

4.2. Financial management standards

All officers and Members have a duty to abide by the highest standards of probity in dealing with public money. This is facilitated by ensuring everyone is clear about the standards to which they are working and by the controls that are in place to ensure that these standards are met.

4.3. Revenue budget monitoring and control

4.3.1. Budget management

The Council operates within an annual cash limit, approved when the annual budget is set. To ensure that the Council does not overspend in total, each service is required to manage its own expenditure and income recovery within the cash limited budget allocated to it. Budget management also ensures that once the Council has approved the budget, the resources are used for their intended purposes and are properly accounted for.

4.3.2. Framework for budgetary control

Once the budget is approved by the Council, Assistant Directors are authorised to incur expenditure in accordance with the approved budget, subject to the limits in the Constitution and the scheme of delegation to officers. Assistant Directors must however maintain effective budgetary control within their service(s) to ensure that spending is contained within the annual cash limit and to secure value for money (i.e. as measured by cost efficiency and output effectiveness).

Assistant Directors must ensure that no commitments are made that would result in an approved budget being exceeded. Prior approval must be obtained to increase the budget either by virement (*see paragraph 4.3.3*) or by a supplementary estimate (*see paragraph 4.3.4*) before additional commitments are made.

In addition, subject to the limits in the Constitution and the scheme of delegation to officers, Directors may exceptionally incur additional expenditure in an emergency (*see paragraph 8.7 for the approval required to make an emergency payment*). In such situations, retrospective approval must be sought, as soon after the event as possible, to offset the additional expenditure by virement or supplementary estimate.

Directors will:

- (a) **Ensure that all income and expenditure is properly recorded and accounted for**
Directors will ensure that all officers responsible for committing expenditure comply with all relevant guidance and follow approved certification processes.
- (b) **Ensure that an appropriate budget holder structure is in place to ensure that responsibility is assigned for each item of income and expenditure under their control**
Budget holders will be accountable for the effective management of their budgets, even where they put delegations in place that enable officers to commit expenditure on their behalf.
- (c) **Ensure that individual policy budgets are not overspent**
A policy budget is a line within a Portfolio which is either a service in its own right or is two or more services which are very closely aligned in their operation. It is expected that each policy budget will be managed within the agreed cash limit budget.

Directors, in consultation with the relevant Cabinet Member(s), will use the virement scheme (see paragraph 4.3.3) to address areas of overspend, by moving sufficient unspent budget from elsewhere.

Where more specific management actions are required to save funds, the Director, the **Section 151 Officer** and / or Cabinet Members may require a budget holder to prepare a budget recovery plan which explains the actions being taken to mitigate the position. The recovery plan will be monitored to ensure the safe delivery of the budget at policy budget and portfolio level.
- (d) **Ensure that a monitoring process is in place**
A monitoring process is required to review performance and / or service levels in conjunction with the budget and to ensure they are operating effectively.
- (e) **Regularly report to the relevant Cabinet member(s)**
Such reports will be prepared, in consultation with the **Section 151 Officer**, upon the services' projected 'controllable net expenditure' compared with its budget. Cabinet Members must be fully briefed, as part of this process, on any budget pressures and any proposal to address these pressures by virement (*see bullet point (vii) below*).
- (f) **Ensure prior approval by the Cabinet (as appropriate) for new proposals**
Prior approval the Cabinet Member(s) may be required for key decisions or for proposals that create financial commitments in future years or which materially extend or reduce the Council's services, or initiate new ones.
- (g) **Ensure compliance with the Scheme of Virement**
The scheme of virement is explained within paragraph 4.3.3.

- (h) **Agree with the relevant Director(s) where it appears that a budget proposal, including a virement proposal, may impact on their service area(s).**
- (i) **Ensure that relevant training is delivered to all staff assigned responsibility for budget management**
Officers will undertake approved finance training prior to commencement as an operational budget holder and/or as an authorised signatory, to ensure they have the necessary knowledge and skills to effectively perform their financial responsibilities; refresher training will be undertaken at 24 monthly intervals thereafter, or as specified by the S151 Officer.

The **Section 151 Officer** will ensure that each budget holder receives or has access to timely information on income and expenditure for each budget, which is sufficiently detailed to enable them and their managers to fulfil their budgetary responsibilities.

The **Section 151 Officer** will monitor performance against the Council's budget on an ongoing basis and will advise upon the Council's overall financial position. Specifically, the **Section 151 Officer** will prepare Financial Update reports for the **Cabinet Member with responsibility for Finance** to present to Cabinet on a regular basis. These financial overview reports will:

- (a) Provide a comparison of the Council's projected income and expenditure with the latest approved budget.
- (b) Include an assessment of the Council's reserves and balances and overall financial position.
- (c) If required, seek approval to changes to the approved budget (including virements between policy budgets and supplementary estimate requests).

4.3.3. Scheme of virement

As detailed in paragraph 4.3.2, Directors and Assistant Directors must ensure that spending remains within their services overall cash limit, and that spending does not exceed individual policy budget headings. It is however permissible, in certain circumstances, to switch resources between approved budget headings, subject to obtaining the necessary approval. The switching of resources between approved policy budget headings is referred to as a virement.

The virement rules are as follows:

- (a) No expenditure shall be incurred without appropriate budget provision and, if necessary, a virement should be undertaken to put this in place before the expenditure is incurred.
- (b) No virement relating to a specific financial year should be made at the end of the financial year after the date specified within the **Section 151 Officer's** timetable for closure of the accounts.
- (c) Virements are not permitted in relation to asset charges, IAS 19 pension budgets or other budget headings that are deemed to be outside the control of the relevant budget holder, or where a proposal would adversely affect long-term revenue commitments.

- (d) Virements are not permitted between revenue and capital budgets. Changes to the capital programme will be dealt with in accordance with section 4.5.
- (e) A virement that is likely to impact on the level of service activity of another budget holder can be implemented only with the agreement of the relevant budget holder(s).
- (f) Amounts that require Cabinet Member approval must specify the proposed expenditure and the source of funding and must explain the implications in the current and future financial years.
- (g) Where a Cabinet Member's approval is required to a virement, this approval will normally be sought via a 'Cabinet Member Action' or a report to Cabinet.
- (h) When a Cabinet Member is making a decision on an operational matter, any necessary virements must be included as part of that decision.
- (i) Virements that are being actioned to effect a change in policy or priorities (*either within the same portfolio or between portfolios*) will be subject to the following approval:

Amount	Minimum approval required
Up to and including £25,000 <i>(Subject to the aggregation rule in exception (d) below)</i>	Assistant Director <i>(following consultation with the Budget Holder)</i>
More than £25,000, but not more than £50,000 <i>(Subject to the aggregation rule in exception (d) below)</i>	Director <i>(following consultation with Section 151 Officer and Service Cabinet member(s)).</i>
More than £50,000, but not more than £100,000	Cabinet Member with responsibility for Finance <i>(following consultation with Director, Section 151 Officer and Service Cabinet Member(s))</i>
More than £100,000	Cabinet <i>(following consultation with Cabinet Members as above, Director and Section 151 Officer)</i>

Exceptions to the virement rules are as follows:

- (a) The virement rules do not apply to the movement of budget between the individual budget headings of an internal trading activity, because trading activities are controlled to an overall financial target rather than against individual expenditure and income headings (see paragraph 3.6.1). The approval of the **Cabinet Member with responsibility for Finance** is however required to transfer resources between individual trading activities and to/from the General Fund - see paragraph 3.6.3.
- (b) Member approval is not required where a budget will continue to be used for the approved purpose but is being moved, for example, to reflect a change in budget holder responsibilities. Such transfers, known as Technical Adjustments, will however require the approval of the **Section 151 Officer**.

- (c) Member approval is not required for budget movements arising in order to comply with the CIPFA Service Expenditure Reporting Code of Practice guidance on accounting for overheads, or budget movements arising in order to comply with proper accounting practice. Approval is required from the **Section 151 Officer**.
- (d) If the proposed virement, together with the total of previous virements within the same financial year, would result in an aggregate increase or decrease in the original 'controllable net' budget for any of the portfolios affected of more than:
 - **25%**; or
 - **£250,000**the decision shall be taken by the **Cabinet Member with responsibility for Finance**, in consultation with the **Section 151 Officer**.

4.3.4. Supplementary estimates

If it is not possible to move resources between budget headings to meet a liability, a request may exceptionally be made for additional funding from the General Fund or from an earmarked revenue reserve. Requests for additional funding are referred to as supplementary estimates.

Supplementary estimates can only be requested for one-off purposes, although it may be possible to request funding for a project that spans across more than one financial year. Where additional funding is required on an on-going basis, the full year effect must be addressed through the revenue budget setting process.

A request for a supplementary estimate must specify:

- (a) the total amount of funding required;
- (b) the profile across financial years of the proposed draw down from the General Fund and/or earmarked revenue reserve;
- (c) the source(s) of the supplementary funding (*which will be advised by the **Section 151 Officer***); and
- (d) why the supplementary funding is required and whether there are any on-going cost implications.

Where the source of funding is from an earmarked reserve, and it matches the purpose of the reserve, **Section 151 Officer** approval is required. If the source of funding is the Council's General Fund, following consultation with the **Section 151 Officer**, the supplementary estimate is subject to the approval of the **Cabinet (£100,000 or more)**, or the **Cabinet Member with responsibility for Finance** (up to **£100,000**).

Where supplementary funding is granted for a project that slips into a later year, the supplementary funding can be re-profiled from the year of award, and into the following financial year, without the need for further approval up to a threshold of **£100,000** and provided that:

- (a) the funding is still being used for the approved purpose; and
- (b) the total agreed amount is not exceeded.

Where supplementary funding is granted for a project that progresses ahead of schedule, the supplementary funding may be brought forward into an earlier year in consultation with the **Section 151 Officer**, up to a threshold of **£100,000**, provided that:

- (a) The funding is still being used for the approved purpose;
- (b) The total agreed amount is not exceeded.

The approval of the **Cabinet Member with responsibility for Finance** is required to reprofile supplementary estimates between financial years that:

- (a) Are in excess of **£100,000**; and
- (b) Extend the period of utilisation by more than one year beyond the original agreed period of utilisation.

Any supplementary funding provided **must** only be spent for the purposes for which it was approved. This means that:

- (a) The **Section 151 Officer** may withdraw supplementary funding if it becomes apparent that the funding is not being used for the agreed purpose; and
- (b) Funding that is no longer needed for the approved purpose must be returned to the reserve from which it was allocated unless directed otherwise by the **Section 151 Officer**.

4.4. Treatment of year end balances

4.4.1. Carry forward scheme

In certain circumstances, it is permissible to transfer resources between financial years. That is, to:

- (a) carry unspent budget forward for use in the following year; or
- (b) fund an overspend in the current year from next year's budget allocation.

The **Section 151 Officer** is responsible for agreeing with the **Cabinet Member with responsibility for Finance** the procedures for carrying forward under and overspends. The **Section 151 Officer** administers the agreed scheme in accordance with the guidelines agreed by the **Cabinet Member with responsibility for Finance**. Such guidelines will state, as a minimum, the carry forwards will only be approved where the underspend is in respect of an amount originally allocated for a specific purpose and spend has been delayed for a legitimate reason.

All requests to carry unspent budget forward will be subject to approval by the **Section 151 Officer** and reported to Cabinet for information. Whilst such requests may be approved prior to the end of a financial year, no carry forward requests will be guaranteed prior to consideration by Cabinet of the final outturn position upon closure of the accounts. This is because the Council's ability to support the carry forward requests will need to be assessed in the context of the overall financial position of the authority.

The **Section 151 Officer** will advise the **Cabinet Member with responsibility for Finance** if, after consultation with the relevant Director(s), the amount of any unspent budget that a service is permitted to carry forward into the following financial year should be reduced by

the value of any **supplementary estimates** provided during the year for the purpose of funding controllable expenditure.

Overspends will be carried forward and deducted from the relevant service's budget in the following year unless the Cabinet agrees otherwise.

Where a Service identifies the need to incur expenditure in the current financial year for which budget provision has been made in the following year's budget, a supplementary estimate can be requested when this is done in a planned way, and in advance of the expenditure being incurred. In this instance the following year's budget will be correspondingly reduced and the current year's increased expenditure will not be categorised as an overspend.

4.4.2. Trading activities

Internal trading activities' surpluses are carried forward, unless determined otherwise by the **Section 151 Officer** or **Cabinet Member with responsibility for Finance** (and subject to the considerations outlined in paragraph 3.6.3). Any deficits, however they arise, will be financed by a withdrawal from the relevant Trading Activity's accumulated reserves, or from an approved contribution from the General Fund (*see paragraph 3.6.2*).

4.4.3. Partnership schemes

The funding of some partnership schemes is ring-fenced (*including the contribution made by the Council*) and is not therefore available for alternative use by the Council. The unspent balances on approved partnership schemes will be carried into an earmarked Partnerships Reserve, which can be drawn upon to finance expenditure by the partnerships in a subsequent year.

4.4.4. Grant funded schemes

Where revenue grants and contributions are recognised as income in advance of the related expenditure being incurred, the unspent grant may be carried into an earmarked grants equalisation reserve, which can be applied, and matched with the related expenditure, in a subsequent year.

All amounts carried into the grant equalisation reserve will initially be ring-fenced for the purpose(s) for which the grants and/or contributions were given. The **Section 151 Officer** will advise the **Cabinet Member with responsibility for Finance** if any amounts no longer need to be retained for the purposes for which the grants or contributions were given. The **Cabinet Member with responsibility for Finance** will then determine whether the excess balances are transferred to the General Fund or another reserve.

4.4.5. Dividends received

Dividends received from subsidiaries of the Council will be treated as corporate income and use of such income will be determined by the **Cabinet Member with responsibility for Finance**.

4.5. Capital monitoring and control

4.5.1. Approval to spend

Once the capital programme or a scheme is approved, Directors are, subject to the rule in the Constitution that officers may not take a Key Decision and limits within the scheme of delegation to officers, authorised to progress with capital projects that have:

- (a) An approved ‘start’ date in the current or a prior financial year (*i.e. schemes with a start date in a future financial year are indicative only, and do not constitute approval to spend*); and
- (b) Adequate scheme and payments approval in the capital programme to finance these projects.

4.5.2. Framework for budgetary control

The principles and framework for managing the revenue budget (*as set out within paragraphs 4.3.1 and 4.3.2*) apply equally with regards to the monitoring and management of individual capital projects within their scheme and payment approvals.

4.5.3. Scheme of virement

In the event that an overspend arises against a capital scheme, corrective action must be taken to remedy the position.

Where it is intended to redress an overspend by utilising savings against another approved project the following permission will be required to vary the payment guidelines and scheme approvals for both projects:

Amount	Minimum approval required
Up to and including £25,000	Assistant Director (<i>following consultation with the Section 151 Officer, to ensure that there are no adverse implications upon capital financing resource, and the Budget Holder</i>)
In excess of £25,000, but not more than £50,000	Director (<i>following consultation with Section 151 Officer and Service Cabinet Member(s)</i>) unless the saving being utilised is greater than 25% of the scheme approval that it is to come from, in which case the next level of approval is required.
More than £50,000, but not more than £100,000	Cabinet Member with responsibility for Finance (<i>following consultation with Director, Section 151 Officer and Service Cabinet Member(s)</i>)

Amount	Minimum approval required
More than £100,000	Cabinet (following consultation with Cabinet Members as above, Director and Section 151 Officer)

The scheme of virement, as set out in paragraph 4.3.3, does not otherwise apply to capital expenditure, as approval to capital expenditure is given on a scheme by basis, rather than by portfolio/service.

4.5.4. Re-profiling of payment guidelines between years

Where it is anticipated that a scheme with approval to 'start' will be progressed at a different rate to that scheduled (such that expenditure is expected to vary from the approved payment guideline for the year) approval must be sought to re-profile the payment guidelines for the scheme (or block approval).

For a scheme with approval to 'start', the re-profiling of the capital payment guidelines between financial years is subject to agreement as follows:

Amount	Minimum approval required
Up to and including £50,000	Director (following consultation with the Section 151 Officer , to ensure that there are no adverse implications upon capital financing resources, and Budget Holder)
In excess of £50,000, but not more than £100,000	Director (following consultation with Section 151 Officer , Cabinet Member with responsibility for Finance and Service Cabinet Member , unless the amount being re-profiled is greater than 25% of the scheme approval, in which case the next level of approval is required.
More than £100,000, but not more than £250,000	Cabinet Member with responsibility for Finance (following consultation with Director , Section 151 Officer and Service Cabinet Member)
More than £250,000	Cabinet (following consultation with Cabinet Members as above, Director and Section 151 Officer)

The above approval will also be required where it is intended to accelerate a scheme that is within the Capital Programme with an indicative start beyond the current financial year, where it is proposed to change the start date to within the current financial year.

4.5.5. Adding scheme and payment approvals to the Capital Programme

Schemes will usually only be added to, or removed from, the Capital Programme as part of the annual budget setting process referred to in paragraph 3.4.2.

Any request outside of this process to change the capital programme by adding or removing schemes, or by allocating additional scheme and payment approvals to an approved scheme, must be approved as follows:

Amount	Minimum approval required
Any value where it is funded by new external funding and has no adverse impact on Council resources	Section 151 Officer
Up to £100,000	Cabinet Member with responsibility for Finance <i>(following consultation with the Director, Section 151 Officer and the Service Cabinet Member)</i>
£100,000 and above	Cabinet <i>(following consultation with all of the above)</i>

4.6. Trading activities

Trading activities must manage their income and expenditure to an overall financial target (see paragraph 3.6.2); in doing so, trading activities must operate within the Council's framework for budgetary control (as outlined within paragraph 4.3.2).

Cabinet approval is required to alter a trading activity's overall financial target (via the quarterly Financial Update reports).

Where the proposed target reflects a worsening position that will result in a loss for the year, the request to amend the financial target must explain how the loss is to be financed and the plans for recovery from this position. Where a surplus is now forecast, above that previously reported, the request to amend the target must explain whether and why the additional surplus is to be retained by the trading activity.

5. Accounting records and financial systems

5.1. Accounting records

Maintenance of proper accounting records is one of the ways in which the Council discharges its responsibility for stewardship of public resources.

The **Section 151 Officer** is responsible for determining the accounting procedures and records for the Council, and for the compilation of all accounts and accounting records.

The Council's accounting records are maintained within its General Ledger. The General Ledger records all sums of money received and expended and all the assets, liabilities and reserves of the Council, and the matters to which the income and expenditure, assets, liabilities and reserves relate. This information is captured by assigning an account code, at source, to every transaction and balance. The integrity of the Council's financial reporting for management and statutory purposes is dependent upon account codes being assigned to transactions and balances correctly at source, in compliance with the Council's standard coding conventions.

Directors are responsible for ensuring that their services (*including those delivered through strategic partnerships*) comply with the coding conventions adopted within the General Ledger. This includes adherence to standard subjective classifications for categories of income, expenditure, assets, liabilities and reserves. The requirement to adhere to this standard classification applies even where expenditure is matched fully by income.

In the event that application of this standard classification results in under or overspends, appropriate action must be taken to re-align the budgets (*see paragraphs 4.3.3 and 4.3.4*); the guiding principle being that budget provision should follow expenditure and/or income, and not vice versa.

5.2. Annual statement of accounts

The Council has a statutory responsibility to prepare an annual Statement of Accounts that:

- (a) presents a 'true and fair view' of its financial performance during the year and of its financial position at the year-end; and
- (b) Is produced, presented for public inspection and external audit and published to specified timescales.

The **Section 151 Officer** is responsible for ensuring that these requirements are met. In particular, the **Section 151 Officer** will:

- (c) Select suitable accounting policies that comply with relevant codes of practice and other applicable accounting standards and statutory provisions.
- (d) Issue accounting instructions on closure of the annual accounts to budget holders, including a timetable.

- (e) Sign and date the Statement of Accounts, thereby confirming that the accounts give a 'true and fair' view of the financial position of the Council at the accounting date and its income and expenditure for the year ended 31 March.
- (f) Submit the accounts to the external auditor and make proper arrangements to support the audit of the Council's accounts and for making the accounts available for public inspection.
- (g) Publish the Statement of Accounts upon completion of the external audit for the year.

Every budget holder must comply with the accounting instructions issued by the **Section 151 Officer** on closure of the accounts, and supply the information requested by the dates specified.

5.3. Financial systems

The **Section 151 Officer** has responsibility for ensuring that the Council's financial systems (*including any financial elements of non-financial or integrated systems*) are sound, properly maintained and held securely. The **Section 151 Officer** will therefore determine the accounting systems, form of accounts and supporting financial records.

Directors must ensure that prior approval is obtained from the **Section 151 Officer** and the Assistant Director with responsibility for Information Technology to:

- (a) operate any financial system (including any elements of a non-financial or integrated system relied upon for financial reporting purposes) within or on behalf of their area of responsibility.
- (b) make changes to any such systems already being operated within a service area.

The 'go live' sign-off criteria, as defined by the Assistant Director with responsibility for Information Technology, must be complied with in respect of implementation or amendment to any financial systems (*or non-financial or integrated system relied upon for financial reporting purposes*) operated within, or on behalf of, a Service area.

A S151 Officer Change Request must be submitted to the **Section 151 Officer** for approval prior to making any changes to such systems.

All finance systems must be documented and backed up, and disaster recovery and business continuity plans must be maintained to allow information system processing to resume quickly in the event of an interruption.

Directors will ensure that an adequate audit trail exists through any computerised finance system operated within their own areas and that audit reviews are being carried out as necessary.

Where appropriate, the data processed by computer systems will be notified to the Information Commissioner in accordance with data protection legislation.

Relevant policies and guidelines for computer systems and equipment that are issued by the Assistant Director with responsibility for Information Technology will be observed.

6. Risk management and internal control

6.1. Introduction

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

6.2. Risk management

Risk management is concerned with evaluating the measures in place, and the actions needed, to identify and control risks effectively. The objectives are to secure the Council's assets and to ensure the Council's continued financial and organisational wellbeing.

The **Audit and Governance Committee** considers the Council's Risk Management Policy and Strategy, and advises on any action necessary to ensure compliance with best practice, and the Cabinet approves it. The Council's Leadership Team keeps under review the strategic risk register and promotes a culture of risk management awareness throughout the Council.

The **Director** with responsibility for **Risk Management** is responsible for preparing the Council's Risk Management Policy and Strategy, and for promoting it throughout the Council where appropriate. The **Director** with responsibility for **Risk Management** will:

- (a) Ensure that procedures are in place to identify, assess and prevent or contain material risks, and also allow for the identification and management of positive opportunities.
- (b) Regularly review the effectiveness of risk reduction strategies and controls.
- (c) Engender a positive attitude towards the control of risk.
- (d) Provide relevant information on risk management initiatives, and training on risk management.
- (e) Ensure that acceptable levels of risk are determined.

The **Director** with responsibility for **Risk Management** is also responsible for:

- (a) Developing risk management controls, including Business Continuity Planning, in conjunction with other Directors and Assistant Directors.
- (b) Ensuring that the Council has effective business continuity plans for implementation in the event of disaster which results in significant loss or damage to its resources and threatens its activities.

Directors must have regard to the advice of the **Director** with responsibility for **Risk Management**, and adhere to the Council's Risk Management Policy and Strategy. Specifically, Directors must:

- (a) Take full ownership of all risks within their areas of responsibility, including those related to partnerships in which their services participate.

- (b) Ensure that risk management is implemented in line with the Council’s Risk Management Strategy and the minimum standard for business planning process.
- (c) Appoint a Risk Coordinator for the directorate and authorise them to progress effective risk management that adheres to corporate guidelines.
- (d) Identify and manage risks and ensure that mitigating actions are regularly reported.
- (e) Have regard to other specialist officers (*e.g. information governance, health and safety*).
- (f) Ensure there are appropriate arrangements within their service area to identify risk issues and take appropriate action to mitigate the effects of them and maximise opportunities. This includes ensuring that the relevant officers are trained to manage risk and where required provide a defence for the Council.
- (g) Make sure that consideration is given and appropriate arrangements are made to ensure service delivery by 3rd party providers and delivery vehicles.
- (h) Ensure that service programme, project and partnership risk registers are compiled, and kept up to date.

6.3. Insurance

The Cabinet is responsible for ensuring that proper insurance arrangements exist. The **Section 151 Officer** is responsible for advising the Cabinet on proper insurance cover, and will:

- (a) Effect corporate insurance cover, through external insurance and internal funding, and negotiate all claims in consultation with other officers, where necessary.
- (b) Include all appropriate employees of the Council in suitable fidelity guarantee insurance.
- (c) Ensure that provision is made for losses that might result from identified risks.
- (d) Ensure that procedures are in place to investigate claims within required timescales.
- (e) Be aware of and manage effectively operational risk to the Council.

The settling of insurance claims against the Council will be subject to approval as follows:

Amount	Minimum approval required
Up to £20,000	Claims Lead
In excess of £20,000 and up to £50,000	Insurance Manager
In excess of £50,000 and up to £100,000	Assistant Director with responsibility for Insurance Manager in consultation with the Section 151 Officer
In excess of £100,000	Section 151 Officer in consultation with the Cabinet Member with responsibility for Finance

The **Section 151 Officer** shall notify the **Cabinet Member with responsibility for Finance** if the total amount paid to claimants during a financial year exceeds **£100,000** with respect to any of the following classes of claim:

- (a) Employer Liability
- (b) Public Liability (Highways claims)
- (c) Public Liability (Non Highways claims)
- (d) Property
- (e) Motor
- (f) Other

If the **£100,000** threshold is exceeded for any financial year the **Cabinet Member with responsibility for Finance** may ask to be consulted on further proposed settlements in the category concerned for the remainder of that financial year.

Directors must comply with all relevant Insurance terms and conditions, and in particular must:

- (a) Notify the **Section 151 Officer** immediately of any loss, liability or damage that may lead to a claim against the Council, together with any information or explanation required by the **Section 151 Officer** or the Council's insurers.
- (b) Notify the **Section 151 Officer** promptly of all new risks, properties or vehicles that require insurance and of any alterations affecting existing insurances.
- (c) Consult the **Section 151 Officer** and the **Monitoring Officer** on the terms of any indemnity that the Council is proposing to give.
- (d) Ensure that employees, or anyone covered by the Council's insurances, do not admit or imply liability or make any offer to pay compensation that may prejudice the assessment of liability in respect of any insurance claim.

6.4. Internal control and the governance framework

The Council faces a wide range of financial, administrative and commercial risks, both from internal and external factors, which threaten the achievement of its strategic objectives and statutory obligations. Internal controls are devised by management to help ensure the Council's objectives are achieved in a manner that promotes economical, efficient and effective use of resources and that the Council's assets and interests are safeguarded.

It is the responsibility of the **Section 151 Officer** to assist the Council to put in place an appropriate control environment and effective internal controls that adhere with proper practices, and provide reasonable assurance of effective and efficient operations, financial stewardship, probity and compliance with laws and regulations.

The system of internal control is a significant part of the Council's governance framework.

The **Section 151 Officer** will compile an Annual Governance Statement each year. The Governance Statement will be compiled with reference to proper practices in relation to governance (*principally the CIPFA/SOLACE guidance 'Delivering Good Governance in Local Government'*).

The governance framework, control environment and internal controls include:

- (a) Identification and communication of the Council's vision of its purpose and intended outcomes for residents and service users.
- (b) Reviewing the Council's vision and its implications for the Council's governance arrangements.
- (c) Measuring the quality of services for users, and ensuring they are delivered in accordance with the Council's objectives and that they represent the best use of resources.
- (d) Making proper arrangements for project management.
- (e) Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication.
- (f) Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff.
- (g) Reviewing and updating standing orders, standing financial instructions, a scheme of delegation and supporting procedural notes/manuals, which clearly define how decisions are taken and the processes and controls required for managing risks.
- (h) Undertaking the core functions of an Audit Committee, as identified in CIPFA's Audit Committees – Practical Guidance for Local Authorities.
- (i) Ensuring compliance with relevant laws and regulations, internal policies and procedures and that expenditure is lawful.
- (j) Whistle blowing and arrangements for receiving and investigating complaints from the public.
- (k) Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation.
- (l) Incorporating good governance arrangements in respect of partnerships and other group working and reflecting these in the Council's overall governance arrangements.
- (m) Policies, objectives and plans, monitoring financial and other performance and taking appropriate anticipatory and remedial action.
- (n) Financial and operational control systems and procedures which comprise physical safeguards for assets, segregation of duties, authorisation and approval procedures and information systems.
- (o) Maintaining an effective internal audit function that is appropriately resourced, and which operates in accordance with the principles contained in the Auditing Practices Board's auditing guideline Guidance for Internal Auditors, CIPFA's Code of Practice for Internal Audit in Local Government in the United Kingdom and with any other statutory obligations and regulations.

It is the responsibility of Directors to:

- (a) 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.

- (b) Manage processes to check that controls are adhered to and to evaluate their effectiveness, in order to be confident in the proper use of resources, achievement of objectives and management of risks.
- (c) Communicate responsibilities, codes of conduct and the importance of good governance arrangements to their staff and ensure that they understand the consequences of lack of control and inadequate governance arrangements.
- (d) Review existing controls in the light of changes affecting the Council and to establish and implement new ones in line with guidance from the **Section 151 Officer**. Directors should also be responsible, after consultation with the **Section 151 Officer**, for removing controls that are unnecessary.
- (e) Undertake self-assessments of the status of the governance framework, including systems of internal control for each of their service areas, as directed by the **Section 151 Officer**.
- (f) Support internal audit in any review being undertaken within their area and respond to issues raised within audit reports within the agreed timescale.

6.5. Preventing fraud and corruption

6.5.1. Counter fraud and anti-bribery strategy

The Council has an effective anti-fraud and corruption policy and maintains a culture that will not tolerate fraud or corruption. It is the responsibility of the **Section 151 Officer** to maintain the Council's anti-fraud and anti-corruption policy.

Directors must ensure that this policy is adhered to and that all appropriate action is taken. This will include reporting all suspected irregularities to the **Counter Fraud Team**.

6.5.2. Declaration of Interests

To avoid giving rise to suspicion about the honesty and integrity of the Council or its employees, or giving the impression of corruption or improper behaviour, all interests of a personal and/or financial nature with external bodies or persons who have dealings with the Council, or any other interests which could conflict with an officer's duties, must be declared in accordance with the Code of Conduct for Employees.

6.5.3. Gifts and hospitality

Officers must be cautious regarding offers of gifts and hospitality as acceptance can easily give the impression of improper behaviour or favour.

The Council's Code of Conduct for Employees explains how offers of gifts and hospitality are to be dealt with, including what can be accepted, what cannot be accepted and what must be declared. In accordance with the policy, the Assistant Director with responsibility for Human Resources must ensure that a Gifts and Hospitality register is established and maintained.

6.5.4. Whistle blowing

In accordance with the Council's whistle blowing policy, financial irregularities must be reported to the **Head of Internal Audit**. The **Head of Internal Audit** will report significant matters to the Chief Executive, Cabinet and the Audit and Governance Committee.

6.5.5. Standards of conduct

The full responsibilities with regard to standards of conduct for officers are set out in the Code of Conduct for Employees and the standards for members are set out in the Constitution.

6.5.6. Money laundering

Money laundering is defined as:

- (a) Concealing, disguising, converting, transferring or removing criminal property from the Country.
- (b) Being concerned in an arrangement which a person knows of, suspects or facilitates the acquisition, retention, use or control of criminal property.

In accordance with the Council's Counter-Money Laundering Policy, all suspected attempts to use the Council to launder money must be reported to the **Counter Fraud Team**.

Directors must ensure that their staff understand what money laundering is and of their obligations under the money laundering legislation, so that they can recognise situations that might lead to suspicions of money laundering arising.

When a person knows or suspects that money laundering activity is taking place (or has taken place) or becomes concerned that their involvement in a matter may amount to a prohibited act under the Proceeds of Crime Act 2002 and the Money Laundering Regulations 2011, they must disclose this as soon as practicable or risk prosecution.

To mitigate the risks of the Council being used to launder money:

- (a) cash payments exceeding **£5,000** will not be accepted other than with the prior approval of the **Section 151 Officer**.
- (b) receipts and payments unrelated to the Council's own activities will not be paid into or from an Castle Point bank account without the prior approval of the **Section 151 Officer**.

6.5.7. Anti-bribery policy

In accordance with the Council's Counter Fraud, Bribery and Corruption Policy, the detection, prevention and reporting of bribery and other forms of corruption are the responsibility of all those working for the Council or under its control. Bribery is an inducement or reward offered, promised or provided to gain personal, commercial,

regulatory or contractual advantage. The Bribery Act has been enacted to enable robust action against such activity.

6.5.8. Promoting good governance

Directors are responsible for ensuring that all required members of staff in their services complete any mandatory governance training provided via e-learning modules on the Council website. Directors are also responsible for ensuring that new employees undertake the relevant modules of the e-learning training within six weeks of the commencement of their employment, and that all staff refresh their learning every 36 months, or as specified.

6.6. Audit requirements

6.6.1. External audit

The duties of the external auditor are defined by the **Local Audit and Accountability Act 2014**, as well as the Code of Audit Practice and relevant auditing standards. In particular, the external auditor must:

- (a) Be satisfied that the Council has complied with the applicable enactments.
- (b) Be satisfied that proper practices have been observed by the Council in the preparation of its annual Statement of Accounts.
- (c) Be satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.
- (d) Express an opinion on whether the Council's annual Statement of Accounts:
 - Provide a true and fair view of the financial position and income and expenditure for the period in question.
 - Have been prepared properly, in accordance with the relevant accounting and reporting framework as set out in legislation and applicable accounting standards.
- (e) Certify completion of the annual audit.
- (f) Consider whether to issue a report in the public interest.
- (g) Consider whether to make a written recommendation to the Council, copied to the Secretary of State.

The External Auditor must be given reasonable and timely access to premises, personnel, documents and assets that it is considered necessary for the purposes of their work.

The Council may, from time to time, also be subject to audit, inspection or investigation by other bodies such as HM Revenue and Customs who have statutory rights of access too.

Whilst the External Auditor and other statutory inspectors must comply with statutory and other relevant requirements relating to the security, transfer, holding, disclosure and disposal of information received or obtained during the course of their audit or inspection work, regard must nevertheless be given to sensitivity of data requested by the external auditor or other statutory inspector. If there is any doubt about whether it is appropriate

to provide such data to the external auditor or other statutory inspector, advice should be sought from the **Section 151 Officer** and/or the **Monitoring Officer**.

Services must respond promptly to external audit and inspection recommendations in writing, detailing the action intended to address the recommendations.

6.6.2. Internal audit

The requirement for an internal audit function for local authorities is imposed by regulation 5 of the Accounts and Audit Regulations 2015 and reinforced 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 authorities to 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. The findings of these internal audits are considered by the **Audit and Governance Committee** on behalf of the Council as part of the consideration of the system of internal control referred to in paragraph 6.4.

Internal audit is an independent and objective appraisal function, established by the Council for reviewing the systems of internal control and assists the Council's stakeholders on business objectives and related risks and, thereby, contributes strategically to the organisation.

The internal auditors adhere to proper practices in relation to internal control; specifically, the CIPFA Code of Practice on Internal Audit in Local Government in the United Kingdom, IIA (Institute of Internal Auditors) and the COSO (Committee of Sponsoring Organisations) risk framework. They examine, evaluate and report upon the adequacy of internal control as a contribution to the proper, economic, efficient and effective use of resources.

The internal auditors have the authority to:

- (a) Access any Council premises, assets, records, documents and correspondence, and control systems.
- (b) Receive any information and explanation related to any matter under consideration.
- (c) Require any employee of the Council to account for cash, stores or any other asset under his or her control.
- (d) Access records belonging to third parties (e.g. Contractors) when required.
- (e) Directly access the Chief Executive, the Cabinet, the Audit and Governance Committee and Executive Scrutiny Committee.

The **Section 151 Officer** and the **Audit and Governance Committee** are required to approve an Annual Audit Plan, a draft of which will be prepared by the **Chief Audit Executive** (at the time of writing, this role is fulfilled by the Head of Internal Audit). The Annual Audit Plan will take account of the characteristics and relative risks of the Council's activities. The **Section 151 Officer** and the **Audit and Governance Committee** will also

ensure that effective procedures are in place to investigate promptly any suspected fraud or irregularity.

Services must respond to internal audit reports in writing, within a timescale agreed as part of the internal audit methodology detailing the action intended, responsible officer, timescale for implementation and whether the action will require additional resources, to address all agreed recommendations. The relevant Assistant Directors must ensure that any agreed actions arising from audit recommendations are carried out in a timely and efficient fashion.

The **Chief Audit Executive** will maintain a record of all reports and allegations of suspected fraud, corruption or other financial irregularity in respect of funds and assets that are the responsibility of the Council and will ensure that appropriate action is taken to investigate these.

The **Chief Audit Executive** will be given the opportunity to evaluate the adequacy of new systems, or changes to existing systems, for maintaining financial records or records of assets, in a timely manner before live operation.

7. Control of resources

7.1. Assets

7.1.1. Security of assets

The Council holds non-current assets in the form of property, land, infrastructure, vehicles, plant and equipment which are collectively worth many millions of pounds. These assets must be safeguarded and used efficiently.

All staff have a responsibility for safeguarding the Council's assets and information, including safeguarding the security of the Council's computer systems and paper records, and for ensuring compliance with the Council's computer and Internet security policies.

The Assistant Director, Estates will undertake the role of 'corporate landlord' on the Council's behalf and will:

- (a) Ensure the proper security and maintenance of all premises occupied and/or owned by the Council.
- (b) Hold the title deeds for all Council properties.

Directors and Assistant Directors will:

- (a) Advise the Assistant Director, Estates of any situation where security of Council premises is thought to be defective or where it is considered that special security arrangements may be needed.
- (b) Ensure that no Council asset is subject to personal use by an employee without proper authority.
- (c) Ensure the safe custody of vehicles, equipment, furniture, inventory, stores and other property belonging to the Council.
- (d) Ensure cash holdings on premises are kept to a minimum.
- (e) 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 relevant Assistant Director and the **Chief Audit Executive**.

7.1.2. Asset register

The **Section 151 Officer** is responsible for the maintenance of a corporate register of the Council's property, plant and equipment assets. This register forms the basis of Balance Sheet reporting on all property, plant and equipment assets held by the Council.

This 'Asset Register' is maintained, in accordance with the requirements of the CIPFA Code of Practice on Local Authority Accounting in the UK and the underlying accounting standards, for:

- (a) All items capitalised in accordance the guidelines set out with paragraph **3.4.1** that are expected to be used and controlled by the Council during more than one financial year; and

- (b) Items that the Council has acquired under the terms of a lease or similar arrangement.

This means that the 'Asset Register' is maintained for:

- (a) All land held by the Council.
- (b) Buildings held and being used by the Council for operational purposes, including those held under the terms of a lease.
- (c) Buildings held for investment purposes.
- (d) Land and buildings deemed to be surplus to current requirements and/or held pending disposal.
- (e) All highways infrastructure (*e.g. roads, structures, traffic management systems etc.*) that, when acquired, was capitalised in accordance with the guidance set out within paragraph **3.4.1**.
- (f) All vehicles, plant and equipment (*including IT hardware*) and intangible assets (*mainly IT software*) that:
 - when acquired, were capitalised in accordance with the guidance set out within paragraph **3.4.1**; or
 - Is held under the terms of a lease or similar arrangement.

Assistant Directors will provide the **Section 151 Officer** with any information necessary to maintain the Asset Register. This will include confirmation, and the location, of moveable assets, which should be appropriately marked and insured.

The Assistant Director, Estates, in conjunction with the **Section 151 Officer**, will ensure that land and building assets that are required to be measured at 'current value' are re-valued, as part of a rolling programme, in accordance with:

- (a) The requirements of the CIPFA Code of Practice on Local Authority Accounting in the UK; and
- (b) Methodologies and bases for estimation set out in relevant professional standards and codes of practice (*including those of the Royal Institute of Chartered Surveyors (RICS) and the Chartered Institute of Public Finance and Accountancy*).

7.1.3. Use of property other than for direct service delivery

The use of property other than for direct service delivery will be subject to prior agreement of, and in accordance with terms and conditions specified by, the Assistant Director, Estates.

Prospective occupiers of Council land and buildings are not permitted to take possession or enter the land and buildings until a lease or agreement, in a form approved by the Assistant Director, Estates, has been put in place.

7.1.4. Property transactions

The Council enters into a variety of property agreements, including (but not limited to):

- (a) Freehold acquisitions and disposals.

- (b) Long leasehold acquisitions and disposals.
- (c) Short leases as tenant and as landlord.
- (d) Section 106 agreements as landowner.
- (e) Release of covenants.
- (f) Compulsory acquisitions and land compensation claims.
- (g) Taking and granting easements.
- (h) Option Agreements; and
- (i) Lease surrenders and exit agreements (including dilapidations).

Each of these transactions has a financial consequence for the Council.

Approval is required to authorise any of these property transactions, and to declare properties surplus to requirements, as follows:

Amount	Minimum approval required	
	Operational and surplus properties	Investment properties
Up to £5,000	Assistant Director, Estates	Section 151 Officer
£5,000 and above, but less than £20,000	Director, Commercial & Assets	<i>(following consultation with the Director, Commercial & Assets)</i>
£20,000 and above, but less than £50,000	Director, Commercial & Assets (following consultation with the Cabinet Member with responsibility for Property)	Section 151 Officer (following consultation with the Cabinet Member with responsibility for Finance)
£50,000 and above but less than £250,000	The Cabinet Member with responsibility for Property (following consultation with Director, Commercial & Assets, Section 151 Officer and the Cabinet Member with responsibility for Finance).	The Cabinet Member with responsibility for Finance (following consultation with the Leader and Section 151 Officer).
£250,000 and above	Cabinet	Cabinet

The financial thresholds for all property transactions apply to decisions based on the open market value (i.e. the value based on highest and best use, taking account of any information the Council has about the purchaser's proposals for the land acquired) of the interest in the land or property reasonably foreseeable at the date of the approval, and not to the actual money involved.

Any moveable assets located within properties proposed for sale, that would be included as part of the sale (e.g. paintings), will be subject to separate consideration in accordance with paragraph 7.1.5.

All property transactions must be subject to considered against the key decisions criteria as per the Constitution.

Once land and buildings have been declared surplus to requirements, the **Assistant Director, Estates** will arrange for the disposal of these assets in accordance with the Council's property strategy and only then when it is in the best interests of the Council and when best value is obtained.

The approval of the **Cabinet Member** with responsibility for **Finance** must be obtained (*after consulting the Cabinet Member with responsibility for Property, if different, and Section 151 officer*) if it is proposed to dispose of the freehold (or an unexpired leasehold interest) of the Council's interest in a property (in full or in part) at a value which is below market value.

The proceeds from the sale of all land and buildings previously held by the Council for operational purposes will (*subject to certain statutory limitations*) be pooled and applied to finance future capital investment or for any other purpose permitted by Regulation; no such capital receipts will be earmarked for use by a specific service.

In relation to the proceeds from the sale of investment properties, these may be reinvested as deemed appropriate by the **Section 151 Officer**.

The **Assistant Director, Estates** will advise on best practice for disposal of other assets that are deemed surplus to requirements, bearing in mind factors such as environmental issues, security and data protection.

7.1.5. Disposal of other assets

From time to time there is a need to dispose of other assets that are not Property Assets. In these situations, the below approval is required:

Amount	Minimum approval required
Up to £5,000	Assistant Director
£5,000 and above, but not more than £20,000	Director
£20,000 and above, but not more than £50,000	Director (following consultation with the Section 151 Officer and Service Cabinet Member)
£50,000 and above but not more than £250,000	Cabinet Member with responsibility for Finance (following consultation with Director as above, S151 Officer and the Cabinet Member)
More than £250,000	Cabinet

The **Director, Corporate & Customer** is responsible for ensuring that the standards, policies and guidelines of decommissioning of IT equipment are well defined and communicated to all staff within the Council. The Data Protection Act must be a key consideration in the decommissioning of IT equipment.

7.2. Consumable stocks and stores

Directors will make adequate arrangements for the care and custody of consumable stocks and stores held by their services, and will maintain inventory records that document the receipt (by purchase or donation) and usage of these items.

The stock of such items should be subject to a regular independent physical check. Discrepancies between inventory records and the physical stock must be investigated and pursued to a satisfactory conclusion.

Stocks and stores must be charged to the relevant Service revenue account when consumed.

The Assistant Director (or operational budget holder) must complete a certificate at each financial year end, confirming the number and value (*i.e. value represents the lower of cost and net realisable value*) of items held in stock as at 31st March.

Obsolete stocks and stores (*ie. items that cannot be sold or consumed*) or items no longer held (*i.e. due to theft or other loss*) must be written off (*i.e. charged to the revenue account as an expense*) straight away. The minimum levels of approval required to write off stock balances are as follows and are cumulative per year for each type of stock:

Amount	Minimum approval required
Up to and including £10,000	Assistant Director
In excess of £10,000, but not more than £25,000	Director (<i>following consultation with Budget Holder and Section 151 Officer</i>)
More than £25,000	Cabinet Member with responsibility for Finance (<i>following consultation with Director, Section 151 Officer and Service Cabinet Member(s)</i>)

7.3. Cash

7.3.1. Introduction

All money in the hands of the Council is controlled by the **Section 151 Officer**. The **Section 151 Officer** is thereby responsible for providing assurances that the Council's money is properly managed in a way that balances risk with return, with the overriding consideration being given to security.

In accordance with the Council's Anti Money Laundering Policy, all suspected attempts to use the Council to launder money must be reported to the **Counter Fraud Team**.

7.3.2. Treasury management

Treasury management is an important aspect of the overall financial management of the Council. Treasury management activities are those associated with the management of the

Council's cash flows and its borrowing and investments. A fundamental aim is to effectively control the risks associated with these activities and to pursue best value, as far as that is consistent with the effective management of risk.

The Council complies with the CIPFA Treasury Management in the Public Services: Code of Practice and Cross-sectoral Guidance Notes, and has approved:

- (a) A **Treasury Management Policy Strategy**, which sets out the policies and objectives of its treasury management activities; and
- (b) A series of **Treasury Management Practices** (TMP's) which set out the manner in which the Council will seek to achieve its policies and objectives for treasury management.

The **Section 151 Officer** is responsible for maintaining the Treasury Management Policy Statement and TMP's, and for recommending any changes to Council for approval following scrutiny by the Audit and Governance Committee.

The **Section 151 Officer** will propose an annual Treasury Management Strategy to the Council in advance of the start of the relevant financial year. This Strategy will comply with CIPFA's Code of Practice on Treasury Management, relevant regulations and statutory guidance, and with the Council's own Treasury Management Policy Statement and TMP's; it will set the parameters within which investment and borrowing activity will be managed during the forthcoming financial year.

The **Section 151 Officer** is responsible for ensuring that all borrowing and investment activity is undertaken in compliance with the approved Treasury Management Strategy.

The **Section 151 Officer** will report to the Cabinet at regular intervals in each financial year, on treasury management activities undertaken within delegated powers.

All investments of money, and borrowings undertaken, on behalf of the Council will be made in the name of the Council. The **Section 151 Officer** will maintain records of such transactions.

7.3.3. Loans to third parties

The following table sets out the circumstances in which loans may be provided by the Council to third parties, and the approval required to each type of loan:

Type of loan	Minimum approval required
1. Season ticket loans made to employees	Line Manager
2. Monies invested with banks and other financial institutions	To be undertaken in accordance with the Council's Annual Treasury Management Strategy (<i>see paragraph 7.3.2 above</i>).
3. Loans to third parties (including to subsidiaries of the Council) for the purpose	Such a loan constitutes capital expenditure by the Council (<i>and the repayment constitutes a capital</i>

Type of loan	Minimum approval required
of financing expenditure which, if incurred by the Council, would constitute capital expenditure	<i>receipt</i>) and so requires Capital Programme approval (<i>see paragraphs 3.4.2 and 4.5</i>).
4. Loans to third parties (including to subsidiaries of the Council) for other purposes (e.g. to support cash flows)	Subject to the following approval: <ul style="list-style-type: none"> ▪ Less than £20,000 - Section 151 Officer ▪ £20,000 and above but less than £50,000 - Cabinet Member with responsibility for Finance (<i>following consultation with the Section 151 Officer</i>) ▪ £50,000 and above - Cabinet

The rate of interest chargeable on loans falling into categories **3** and **4** above will be determined in consultation with the **Section 151 Officer**, having due regard to the subsidy control requirements applicable in the United Kingdom.

The repayments arising from a loan falling into category **3** above are deemed to be capital receipts. These capital receipts will be applied to repay the amounts loaned.

7.3.4. Bank accounts

The opening or closing of any Council bank account will require the prior approval of the **Section 151 Officer** and must be managed in accordance with directions issued by them.

The opening of additional bank accounts (including escrow accounts and performance bonds) in the Council’s name is to be avoided if possible. Where money is to be held temporarily as a bond or in joint names, this can usually be more readily achieved by use of a holding account within the Council’s accounts.

As noted in paragraph 6.5.6, cash unrelated to the Council’s own activities will not be paid into a Castle Point bank account without the prior approval of the Section 151 Officer.

7.3.5. Imprest accounts

Wherever possible, purchase cards will be used for low value transactions for which there is no mandated procurement contract in place (*the use of purchase cards is covered further in section 8.2*). However, in the limited circumstances when purchase cards cannot be used, the **Section 151 Officer** may provide bank imprest (petty cash) accounts to meet minor expenditure on behalf of the Council.

The **Section 151 Officer** will:

- (a) Prescribe rules for operating an imprest account.

- (b) Determine the amount of each imprest account.
- (c) Will maintain a record of all transactions and cash advances made; and
- (d) Periodically review the arrangements for the safe custody and control of these advances.

Employees operating an imprest account will:

- (a) Obtain and retain vouchers to support each payment from the imprest account. Where appropriate, an official receipted VAT invoice must be obtained.
- (b) Make adequate arrangements for the safe custody of the account.
- (c) Produce cash and all vouchers to the total value of the imprest amount.
- (d) Record transactions promptly.
- (e) Reconcile and balance the account at least monthly; reconciliation sheets to be signed and retained by the imprest holder.
- (f) Ensure that the float is never used to cash personal cheques or to make personal loans and that the only payments into the account are the reimbursement of the float and change relating to purchases where an advance has been made.
- (g) Provide the **Section 151 Officer** with a certificate of the value of the account held at each 31 March.

7.3.6. Trust funds and funds held for third parties

All trust funds will, wherever possible, be held in the name of the Council. All officers acting as trustees by virtue of their official position shall deposit securities relating to the trust with the **Section 151 Officer** unless the deed provides otherwise.

Trust funds will be operated within any relevant legislation and the specific requirements for each trust.

Where funds are held on behalf of third parties, for their secure administration, records will be maintained of all transactions.

7.4. Staffing

The **Head of Paid Service** is responsible for providing overall management to staff and is also responsible for ensuring that there is proper use of evaluation or other agreed systems for determining the remuneration rate for job roles.

Directors have primary responsibility for their establishment and are accountable for compliance with establishment and financial controls. Directors are responsible for ensuring that positions are only created as new requirements and associated funding emerge and are deleted or modified as needs and funding change. They will 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.

The **Section 151 Officer** and **Assistant Director, People & Engagement** will advise on areas such as National Insurance and pension contributions, as appropriate.

7.5. Intellectual property

Intellectual property is a generic term that includes inventions and writing. If an employee creates these during the course of employment then, as a general rule, they belong to the Council, not to the employee.

Directors will ensure that their staff are not conducting private work in Council time and that their staff are aware of the Council's rights with regard to intellectual property.

Instances where intellectual property has been (or may be) created which has, or may have, commercial value to the Council should be referred to the relevant Director(s).

8. Income and Expenditure

8.1. Income

8.1.1. Introduction

Effective income collection systems are necessary to ensure that all income due to the Council is identified, collected and banked properly.

Whenever possible, income should be collected in advance of supplying goods or services, to minimise the time and cost required to administer debts and to avoid bad debts.

It is the responsibility of Directors to ensure that staff authorised to act on their behalf in respect of income collection are clearly identified.

Directors will supply the **Section 151 Officer** with details relating to work done, goods supplied, services rendered or other amounts due, to enable invoices to be raised promptly for sums due to the Council, and to ensure that such amounts are properly recorded as due to the Council.

8.1.2. Income collection

The **Section 151 Officer** will agree the arrangements for the collection of all income due to the Council and approve the procedures, systems and documentation for its collection.

The **Section 151 Officer** and Directors will ensure that:

- (a) All money received by, or on behalf of, the Council is paid fully and promptly into the appropriate Council bank account in the form in which it is received.
- (b) Income is not used to cash personal cheques or other payments.
- (c) Appropriate details are recorded onto paying-in slips to provide an audit trail.
- (d) A record is kept of money received directly by employees of the Council.
- (e) The receiving officer signs for the transfer of funds, and the transferor must retain a copy.
- (f) Wherever possible, at least two employees are present when post is opened so that money received by post is properly identified and recorded; this requirement must be met where post regularly contains money.
- (g) Money collected and deposited is reconciled to the appropriate bank account on a regular basis.
- (h) The responsibility for cash collection is separated from that for identifying the amount due and that responsibility for reconciling the amount due is separated from handling of the amount received.
- (i) Income is only held on premises up to levels approved by the **Section 151 Officer**. All such income will be locked away to safeguard against loss or theft, and to ensure the security of cash handling.
- (j) All appropriate income documents are retained and stored for the defined period in accordance with the Council's Information Management policies and guidance.

- (k) The **Section 151 Officer** is advised of outstanding income relating to the previous financial year as soon as possible after 31 March, and in line with the timetable for closure of the accounts determined by the **Section 151 Officer**.

8.1.3. Debt recovery

Amounts owed to the Council will be recorded by billing the customer or client in accordance with the Council’s income management framework.

Directors will ensure that arrangements are in place within their areas of responsibility that define who is empowered to raise a debt on the Council’s behalf.

Once debts are raised, Directors must assist the **Section 151 Officer** with collection, recovery and enforcement by responding promptly to queries and assisting with disputes in compliance.

8.1.4. Writing off debts

Directors will critically review outstanding debts on a regular basis, in conjunction with the **Section 151 Officer**, and take prompt action to write off debts no longer deemed to be recoverable.

No bona fide debt may be cancelled, other than by formal write off. Debts will only be written off if:

- (a) The Debtor is deceased, insolvent or has absconded.
- (b) The debt is statute barred.
- (c) It is uneconomical to pursue the debt.
- (d) The debt is uncollectable after exhausting all options.

The approval required to write off any debt meeting any of the above criteria is as follows:

Amount	Minimum approval required
Up to £5,000	Budget Holder
In excess of £5,000, and not more than £10,000	Assistant Director <i>(following consultation with the Budget Holder)</i>
In excess of £10,000, and not more than £25,000	Director <i>(following consultation with Assistant Director)</i>
In excess of £25,000, and not more than £50,000	Section 151 Officer <i>(following consultation with the Director)</i>

Amount	Minimum approval required
In excess of £50,000 not more than £100,000	Service Cabinet Member (following consultation with the Director and Section 151 Officer)
More than £100,000	Cabinet Member with responsibility for Finance (following consultation with the Section 151 Officer and the Service Cabinet Member)

A record must be maintained for all debts written off. The appropriate accounting adjustments must be made following approval to write-off a debt.

The manager with responsibility for the Revenues service will periodically advise the Section 151 Officer and impacted Budget Holders of the debts written off using their delegated powers. The frequency of reporting will be determined by the Section 151 Officer.

Where debts have been referred to Legal Services, the **Section 151 Officer** will have due regard to their advice when considering action relating to bad debts.

8.1.5. Credit notes

A credit note to cancel or reduce a debt can only be issued following a financial assessment of the amount payable or to correct a factual inaccuracy or administrative error in the calculation and/or billing of the original debt, and once it is confirmed that the debt is not payable.

Credit notes will not be issued:

- (a) For irrecoverable debts, as the formal write off procedure should be followed.
- (b) Where the debtor cannot afford to pay at that time. The debt should remain, and revised payment terms agreed, as appropriate.
- (c) Where a debt is to be recovered through deductions from payments. In such instances, the deductions made should be offset against the debtor.

Credit notes will be subject to the approval of manager with responsibility for the Revenues service, in consultation with the operational budget holder.

8.2. Purchasing and procurement

8.2.1. Introduction

The Council applies a standardised approach to purchasing and procurement, according to the complexity and level of risk involved. Sourcing activity therefore depends on whether the work, goods or services are available via one of the Council's corporate mandated contracts and, if not, on:

- (a) What is being procured.
- (b) The value of the procurement.
- (c) The contract terms.
- (d) Whether there is likely to be a transfer of staff, safeguarding, clinical governance or information security requirements as a consequence of the procurement.

Compliance with the Council's Contract Procedure Rules helps to ensure that value for money is obtained from its purchasing arrangements and compliance with legislation.

8.2.2. Purchasing via corporate contracts

The Council has a number of corporate mandated contracts in place through which standardised supplies and materials must be procured. Details of the corporate mandated contracts are available on the Intranet.

The Council's Purchase-to-Pay system must be used for ordering goods via a corporate mandated contract.

8.2.3. Procurement

Where there is no corporate mandated contract in place, it is necessary to follow the procurement approach laid out within the Council's Procurement Rules.

There is no requirement for competition for very low risk procurements. Very low risk procurements are those for one off purchases, up to a threshold of **£10,000 exclusive of VAT** (or such other limit as set out in the Council's Contract Procedure Rules). Such procurements can be made using:

- (a) **Purchase Card** (in accordance with the Council's Purchase Card Policy).
- (b) **Purchase to Pay system** (currently the intranet requisition system and eProc)
- (c) **Electronic Payments Tool** (currently the eFinancials Invoice Register) only for procurements where it is not possible or practicable to use a purchase card or the Purchase to Pay system.

All other work, goods and services must be procured utilising a framework and/or following a competitive process that reflects the relative risks of the procurement (i.e. as laid out within the Council's Contract Procedure Rules).

Officers involved with engaging contractors, and/or with purchasing decisions, must declare:

- (a) Any links or personal interests that they may have with purchasers, suppliers and/or contractors; and
- (b) Any gifts or hospitality offered by, or received from, purchasers, suppliers and/or contractors.

The necessity to make such declarations arises from the requirements outlined in paragraphs **6.5.2** and **6.5.3**.

Directors must ensure all new contracts are recorded and retained in the corporate contracts register in accordance with the Contract Procedure Rules.

Where a third party is procuring goods, work or services on behalf of the Council then the relevant officer(s) must ensure that the third party is aware of and complies with the Council’s Contract Procedure Rules.

Managers responsible for letting contracts should regularly review contractors’ performance and address errors, poor performance and/or mis-representation, and to invoke service credits where applicable.

8.3. Ordering and paying for work, goods and services

8.3.1. Orders for work, goods and services

Orders for work, goods and services must:

- (a) Be in a form approved by the **Section 151 Officer**.
- (b) Be raised via one of the Council’s Purchase-to-Pay systems and issued to the supplier prior to receipt of goods or services or commencement of works. The only exceptions to this are for periodic payments such as rent or rates and payments made from petty cash, using a purchase card or via the Electronic Payment Tool.
- (c) Not be raised for any personal or private purchases.
- (d) Be authorised by someone of at least the seniority set out below:
 - (i) Where the order is issued to reflect a specific procurement decision taken by Members then the order may be authorised by the operational **budget holder**.
 - (ii) In other cases the order must be authorised in accordance with the table below:

Financial limit	Minimum approval required	Allocated cost centres
£500,000 and over	Chief Executive or Section 151 Officer	All
Up to £500,000	Directors	As defined by Chief Executive
Up to £250,000	Assistant Directors	As defined by Director
Up to £25,000	Operational Budget Holder	As defined by the Assistant Director
Up to £5,000	Officers authorised to act on behalf of the Operational Budget Holder	As defined by the Assistant Director

Contracts with a value of under **£500,000** may be signed by:

- (a) A person who is authorised to issue an order for that contract; or
- (b) The **Chief Executive, Monitoring Officer or Section 151 Officer** (or a person authorised by any of them).

Contracts with a value of more than **£250,000** must be in writing and must be signed in accordance with the Constitution (i.e. by a **Director, Monitoring Officer, Section 151 Officer** or the **Chief Executive** or be affixed under the common seal of the Council). Electronic signatures are acceptable if in a form approved by the **Monitoring Officer**.

8.3.2. Authorised signatories

Directors must ensure that a primary approver is assigned to each cost centre code within their respective functional areas. The primary approver is the lowest level authorised signatory for a cost centre code.

Where the primary approver is not the budget holder, the primary approver must be in the line management hierarchy of the budget holder. This is because all requisitions are routed up the primary approver's line management hierarchy until reaching the person with the relevant delegated approval limit.

Assistant Directors will identify in each case the delegated limits of the primary and other approvers below the relevant budget holder, and the other staff to whom a primary or other approver can delegate their approval rights to. An approver may only reassign their authorisation rights to an officer with an equivalent or higher delegated limit to their own. No one may authorise an order unless they are satisfied that:

- (a) They have the delegated power to commit the expenditure.
- (b) The work, goods and services ordered are appropriate and needed.
- (c) There is adequate budgetary provision.
- (d) Where a suitable corporate mandated contract exists, this has been used.
- (e) Where there is no corporate mandated contract, the Council's Contract Procedure Rules have been adhered to.

8.3.3. Receipt of work, goods and services

When work, goods and services are received they must be checked against the applicable purchase order, to ensure they are in accordance with that order. Wherever possible, goods should not be received by the person who approved the order.

For work, goods or services ordered via the Council's Purchase-to-Pay system, the quantity of work, goods and services received must be recorded on a timely basis in that system against the original purchase order (referred to as 'receipting' the purchase order). The receipting of the purchase order provides approval to pay the suppliers' invoice (to the value of the work, goods or services received) and results in the expenditure being recognised in the accounts. For these reasons, no purchase order must be 'receipted' in advance of the Council receiving the relevant work, goods or services.

For work, goods or services obtained using a **Purchase Card** it is the cardholder's responsibility to ensure that this is done in compliance with the Council's Purchase Card Policy.

8.3.4. Payment of suppliers

For items ordered via the Council's Purchase-to-Pay system, the **Section 151 Officer** will make payments from the Council's funds upon the receipt of proper original, certified copy or valid electronic VAT invoice provided that:

- (a) A valid **purchase order number** is quoted on the suppliers' invoice; and
- (b) Confirmation of receipt of the work, goods or services has been provided and the invoice is consistent with the receipted amount.

Invoices received which do not quote an approved purchase order number are not valid and will be returned to the supplier unpaid.

The **Section 151 Officer** will also make payments from the Council's funds upon the receipt of proper original, certified copy or valid electronic VAT invoices that have been checked, coded and certified in accordance with the thresholds set out in paragraph 8.3.1, confirming:

- (a) The receipt of goods or services to the correct price, quantity and quality standards.
- (b) That the invoice has not previously been paid.
- (c) That expenditure has been properly incurred and is within budget provision.
- (d) That prices and arithmetic are correct and accord with quotations, tenders, contracts or catalogue prices.
- (e) That discounts have been taken where available.
- (f) The correct accounting treatment of tax.

Payments to creditors will be made as soon as possible within agreed payment terms, in order to avoid late payment charges under the **Late Payment of Commercial Debts (Interest) Act 1998**, as amended by the **Late Payment of Commercial Debts Regulations 2013**.

Any invoice in dispute with a supplier must be clearly identified and processed in accordance with guidance issued by the **Section 151 Officer**.

It is not permissible to make a payment in advance of the delivery of works, goods or services, or to vary the Council's standard settlement terms, other than with the prior approval of the **Section 151 Officer**.

Directors will notify the **Section 151 Officer** immediately of any expenditure to be incurred as a result of statute/court order where there is no budgetary provision. In such cases, appropriate budget provision should be sought, either by way of a virement (see paragraph 4.3.3) or by way of a supplementary estimate (see paragraph 4.3.4).

The normal methods of payment by the Council shall be by:

- (a) BACS payments direct into suppliers' bank accounts.

(b) Purchase Card (*in accordance with the Council’s Purchase Card Policy*).

The use of direct debits to make payments will require the prior agreement of the **Section 151 Officer**. Under no circumstances will cheque payments be made.

All appropriate evidence of the transaction and payment documents will be retained and stored in accordance with the Council’s Information Management policies and guidance.

Directors must advise the **Section 151 Officer**, at the end of each financial year, of outstanding expenditure relating to the financial year just ended, in line with the timetable for closure of the accounts determined by the **Section 151 Officer**.

8.3.5. Contracts for construction and alterations to buildings / civil engineering works

The systems and procedures for dealing with the financial aspects of contracts for construction and alterations to buildings and for civil engineering works must be agreed with the **Section 151 Officer**. This will include the systems and procedures for the certification of interim and final payments, checking, recording and authorising payments, for monitoring and controlling capital schemes and the procedures for validation of subcontractors’ tax status.

8.4. Authority to make payments

For payments other than those arising from purchasing and procurement, transactions must be authorised in accordance with the table below:

Financial limit	Minimum approval required	Allocated cost centres
£500,000 and over	Chief Executive or Section 151 Officer	All
Up to £500,000	Directors	As defined by Chief Executive
Up to £250,000	Assistant Directors	As defined by Director
Up to £25,000	Operational Budget Holder	As defined by Director
Up to £5,000	Officers authorised to act on behalf of the Operational Budget Holder	As defined by the Assistant Director

As noted in paragraph 8.3.2, the primary approver will be the lowest level approver for each cost centre. However, Assistant Directors have discretion to set the primary approver’s delegated approval limit at a lower limit than that in the above table.

Payments must be backed by a decision taken in accordance with the Constitution.

8.5. Payments to Employees and Members

8.5.1. Salaries

The **Section 151 Officer and Director, Corporate & Customer** are responsible for all payments of salaries and overtime to staff. The **Section 151 Officer and Director, Corporate & Customer** will therefore:

- (a) Arrange and control secure and reliable payment of salaries, wages, compensation or other emoluments to existing and former employees, in accordance with prescribed procedures, on the due date.
- (b) Record and make arrangements for the accurate and timely payment of tax, pensions and other deductions.

The **Assistant Director, People & Engagement** is responsible for ensuring there are adequate arrangements for administering payroll and pension matters on a day-to-day basis.

Directors must ensure that effective systems and procedures are operated, so that:

- (a) Payments are only made 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.

The **Section 151 Officer and Assistant Director, People & Engagement** will advise upon the employment status of individuals employed on a self-employed consultant or sub-contract basis.

8.5.2. Expenses and allowances

The **Section 151 Officer and Director, Corporate & Customer** are responsible for the payment of certified expense claims submitted by employees that are made in accordance with the Council's travel and subsistence policy.

Certification of travel and subsistence claims is taken to mean that journeys were authorised, and expenses properly and necessarily incurred for business purposes, and that allowances are properly payable by the Council, ensuring that cost-effective use of travel arrangements is achieved.

The **Section 151 Officer and Director, Corporate & Customer** are also responsible for the payment of Members' travel or other allowances. Members expenses must be claimed in accordance with the provisions set out in the **Members Allowance Scheme** (as set out within the Constitution).

The **Section 151 Officer and Director, Corporate & Customer** will ensure that taxable allowances and benefits are accounted for, recorded and returned, where appropriate, to HM Revenue and Customs. Details of any employee benefits in kind must be notified to the **Section 151 Officer and Assistant Director, People & Engagement** to enable full and complete reporting within the income tax self-assessment system.

Due consideration should be given to tax implications, ensuring that advice is sought and the **Section 151 Officer and Assistant Director, People & Engagement** is informed where appropriate.

8.5.3. Ex-gratia payments

Ex-gratia payments are one-off payments made to an employee or former employee as a gesture of goodwill, and not because there is a legal or contractual obligation to do so. They include compromise and other payments made for loss of office.

Ex-gratia payments can be made to employees or former employees subject to obtaining the following approval:

Amount	Minimum approval required
Up to £5,000	Budget Holder
In excess of £5,000, but not more than £10,000	Assistant Director (<i>following consultation with the Budget Holder</i>)
In excess of £10,000 but not more than £50,000	Director (<i>following consultation with the Assistant Director</i>)
More than £50,000	Section 151 Officer (<i>following consultation with the Director</i>)

The circumstances of the proposed payment must not have the effect of circumventing other Council pay and allowance policies, tax rules or other legislation.

8.6. Taxation

The **Section 151 Officer** is responsible for ensuring compliance with all relevant taxation regulations and guidance that affect the Council either directly, as a consequence its own activities, or indirectly, as a consequence of service delivery through external partners.

To enable the **Section 151 Officer** to fulfil the requirements of this role, Directors will:

- (a) Ensure that the **Section 151 Officer** is consulted on all proposals that may alter or affect the Council's tax liability, including proposals to implement alternative service delivery models (as outlined in section 9.1).

- (b) Ensure that the VAT guidance issued by the **Section 151 Officer** is complied with (*i.e. to ensure that the correct liability is attached to all income due and that all amounts recoverable on purchases can be claimed*).
- (c) Ensure that, where construction and maintenance works are undertaken, the subcontractor fulfils the necessary **construction industry tax scheme** requirements (*as advised by the Section 151 Officer*).
- (d) Ensure that the guidance on fee payments to consultants, individuals or partners is complied with.

The **Section 151 Officer** will maintain the Council's tax records, make all tax payments, receive tax credits and submit tax returns by their due date, as appropriate.

8.7. Emergency Payments

Emergency payments may arise as a consequence of unforeseen circumstances (e.g. as a consequence of a natural disaster, a civil emergency or a court order etc.) where budget provision has not been made and the payment cannot be covered within the relevant service's existing budget.

Emergency payments can only be made in extenuating circumstances with the following approval (as a minimum):

Amount	Approval required
Up to £25,000	Director <i>The Director will notify the Section 151 Officer as soon as practicable after the event that the emergency payment has been made.</i>
In excess of £25,000, but not more than £100,000	Chief Executive <u>or</u> the Section 151 Officer (following consultation with the Cabinet Member with responsibility for Finance)
More than £100,000	Cabinet Member with responsibility for Finance (<i>following consultation with all of the above</i>)

Details of emergency payments made within the financial year will be reported retrospectively to the Cabinet.

8.8. Transparency

To provide transparency in its stewardship of public funds the Council makes information available to the public in relation to its spending where it is more than £500. Monthly payment transactions made via purchase card and accounts payable are available to download via the Council's website.

9. External Arrangements

9.1. Alternative service delivery models

9.1.1. Introduction

Alternative service delivery models may be considered, including but not limited to:

- (a) Outsource service provision to the private or voluntary sector, or to another public sector organisation.
- (b) Spin out a service to a separate independent enterprise.
- (c) Enable joint working with other public sector bodies.
- (d) Facilitate working with the private or voluntary or public sector, or a combination of these.
- (e) Use a company owned by the Council or by another local authority.

There is no one model that stands out as the best or dominant model for service delivery. It is necessary to consider any proposals to use an alternative delivery model on a case-by-case basis. However, an alternative delivery vehicle can only be pursued and established in compliance with the decision-making process outlined in paragraph 9.1.2.

9.1.2. Business cases for alternative delivery vehicles

Any proposal to establish an alternative delivery vehicle must be developed through the Council's business case governance framework to ensure that there is a robust planning and decision-making process in place.

Local authority owned entities can take any number of forms, including companies limited by shares, companies limited by guarantee, community benefit societies and cooperative societies.

The Business Case must clearly articulate the options being considered and measure these against the desired outcomes. It should also set out whether there is a statutory basis for the provision of the service or activity under consideration.

Directors are responsible for ensuring that Cabinet approval is obtained before any contract negotiations and/or financial transactions are entered into, and that all agreements and arrangements are properly documented.

The Cabinet is responsible for approving the Council's participation in all significant partnerships / joint working arrangements with other local public, private, voluntary and community sector organisations.

Directors, following advice from key stakeholders (*including the **Section 151 Officer and Monitoring Officer***), will advise the Cabinet on the key elements of the alternative delivery vehicle, including:

- (a) The arrangements for financial record keeping, accounting, billing customers and paying suppliers, tax, pensions, banking and cash management.
- (b) The arrangements to ensure that the Council can maintain adequate oversight and assurances over the financial performance of the alternative delivery vehicle.
- (c) An assessment of the financial and non-financial risks, together with the plans to mitigate those risks. The financial and reputational impact of failure to deliver services should be considered, with clear plans on how this would be addressed.
- (d) The financial commitments the Council will make (including to provide cash management, working capital and longer term loan funding and/or financial guarantees), and details of any other financial implications for the Council arising as a consequence of the proposed alternative delivery model.
- (e) Arrangements for providing any information required for the Council's Statement of Accounts to the **Section 151 Officer**.
- (f) Audit requirements (both internal and external) and arrangements for the Council's auditors, where relevant, to have access to information.
- (g) The governance arrangements for decision making, and how these will be carried out to ensure that the services provided remain aligned to those of the Council.
- (h) Performance measurement arrangements.
- (i) Insurance arrangements.
- (j) Any proposals to transfer Council assets to the alternative delivery vehicle, and the arrangements for safeguarding their title and use.
- (k) Whether equality, sustainability, recruitment and employment practices, data handling and protection, freedom of information principles, standards and behaviour and arrangements for engaging with citizens and service users are aligned to the Council's legal requirements and policies.
- (l) The pensions arrangements for employees of the alternative delivery vehicle, especially if Council employees are transferring to the alternative delivery vehicle.
- (m) In the event that the proposal is for a local authority trading company, the proposed policy and decision making process for the retention or distribution of profits. A dividend policy should be agreed that sets out the process by which decisions will be taken regarding the retention or distribution of profits.
- (n) Exit arrangements, and if relevant what would be done to ensure services continue to be delivered in the event of non-delivery by the alternative delivery vehicle.

Where it is proposed to establish a local authority trading company, the new company will be mandated to use the Council's support service functions and the Council's property (and its facilities management services) for the delivery of services on behalf of the Council, unless and until otherwise agreed by the **Section 151 Officer**. The new company will bear the full cost of the services provided by the Council's support service functions.

9.2. Partnerships

9.2.1. Context

Partnerships include any arrangements where the Council agrees to undertake, part fund or participate in a project with other bodies; either as a beneficiary of the project, or because the nature or status of the project gives the Council a right or obligation to support it. It does not include situations where the Council is simply providing funding without assuming any obligation or risk relating to delivery of the project.

It is important to understand and distinguish between a partnership in this context and a supplier who the Council may refer to as a 'partner' due to the status that the Council has contractually awarded to it. Irrespective of the title applied to it, this latter type of partnership is a supplier relationship, which will be entered into in accordance with, and governed by, the Council's Procurement Policy and Procedures.

9.2.2. Forming of partnerships

The approval of both the **Section 151 Officer** and the **Monitoring Officer** is required prior to the Council entering into any formal partnership agreement. The approval of the **Section 151 Officer** must also be obtained where it is proposed that the Council adopts the role of 'Accountable Body' for a partnership. This is to ensure that the:

- (a) Legal status and financial viability of the arrangement are clearly established and that they are acceptable.
- (b) Council's financial commitment to the partnership is quantified and can be accommodated within the existing budget provision.
- (c) Financial and corporate governance arrangements in place for the partnership are robust, and acceptable from the Council's perspective.
- (d) The Council is not exposed to undue financial, legal or reputation risk as a consequence of its involvement in the partnership.
- (e) Council's own financial accounting and reporting requirements can be satisfied.

A partnership agreement must be produced that documents each of these matters, and the arrangements for dispute resolution and for exiting from the arrangement.

The Cabinet is responsible for approving delegations and frameworks for all partnerships.

Directors will ensure that:

- (a) The approval of the **Section 151 Officer** and the **Monitoring Officer** is obtained prior to entering into a partnership agreement.
- (b) An appraisal is undertaken which demonstrates that the risks associated with the arrangement are minimal, or that appropriate arrangements are in place to mitigate any such risks.

- (c) The partnership agreement and arrangements will not impact adversely upon the services provided by the Council or upon its finances.
- (d) The proposed financial contribution by the Council to the partnership can be met from existing budget provision.
- (e) Cabinet approval is secured for all delegations and frameworks for the proposed partnership.

9.2.3. Delegation of budget to a partnership

The delegation of budget to a partnership (whether or not the arrangement is binding on the parties involved), where money is normally spent in accordance with the wishes of a group of individuals or organisations, is subject to approval as follows:

Amount	Minimum approval required
Less than £25,000	Assistant Director
£25,000 and above, but not more than £100,000	Director (<i>following consultation with the Assistant Director</i>)
£100,000 and above, but not more than £250,000	Section 151 Officer (<i>following consultation with Director</i>)
£250,000 and above, but not more than £500,000	Cabinet Member with responsibility for Finance (<i>following consultation with Director and the Section 151 Officer</i>)
More than £500,000	Cabinet (<i>following consultation with the Section 151 Officer and the Cabinet Member with responsibility for Finance</i>)

9.2.4. Financial administration

Where the Council is the 'accountable body' for a partnership, these Financial Regulations and the Council's Constitution will apply to decisions relating to the expending of that money. All expenditure must be authorised by an appropriate officer, or by someone else who has a statutory power to authorise expenditure. Directors are responsible for ensuring that the Council is promoting and applying the same high standards of financial administration to the partnership as those that apply throughout the Council.

Whenever any such arrangements are made there must be a written document which clearly establishes the responsibilities of the respective partners for managing the arrangement and the resources made available to the partnership.

The document must also set out the arrangements in respect of unspent funding at each year end, unless this is to be returned to the Council as unspent money, and for addressing any overspend. The Council cannot carry underspent partner contributions forwards from one financial year to another if this is contrary to the partners' own financial procedure rules.

Directors must provide information on the partnership arrangements to the **Section 151 Officer**, in order that the appropriate disclosures can be made within the Council's annual Statement of Accounts.

9.2.5. Documenting and recording of partnership agreements

Directors must ensure that all partnership agreements and arrangements are properly documented, and that all money for which the Council is accountable is spent via a written contract with the recipient (even if the recipient is a party to the arrangements) and that a register of those contracts must be maintained in accordance with procedures specified by the **Section 151 Officer**.

9.2.6. Representing the Council

Directors will ensure that the Council has full oversight of the operation of the arrangements. This will usually be by officer support and by representation on the 'partnership board' by Members of the Council.

Directors will ensure that appropriate officer input is provided to support Members in this role, and that all decisions made by the Council are discharged as permitted within the Scheme of Delegation that forms part of the Council's Constitution.

9.3. External funding (grants and other contributions)

9.3.1. Funding conditions

External funding is an important source of income to the Council. However, the conditions attached to such funding need to be carefully considered prior to applying or bidding for, and accepting the funding, to ensure that:

- (a) They are compatible with the aims and objectives of the Council;
- (b) The necessary procedures and resources are in place to meet funding conditions and reporting requirements; and
- (c) Appropriate budget provision is available if 'match funding' is required.

The relevant Finance Business Partner should be notified of all external funding bids and applications and will support the bid or application through the process.

9.3.2. Accounting for external funding

The **Section 151 Officer**, in conjunction with Directors must, as appropriate, ensure that all grants and other funding awarded by external bodies is received and properly recorded in the Council's accounts.

9.3.3. External funding claims

Directors must, as appropriate, ensure that appropriate records are maintained to evidence compliance with any applicable conditions placed on external funding by the awarding body and any instructions issued by the **Section 151 Officer**.

Directors must also ensure that claims and returns are made by the due date, allowing sufficient time for **Section 151 Officer** review of those claims and returns prior to submission to the awarding body.

Directors will notify the **Section 151 Officer** in the event that the awarding body requires an internal or external audit of a grant or similar claim to evidence compliance with the grant or funding conditions.

9.3.4. Third party expenditure

Sometimes, grant funding awarded to the Council may be passed to a third party outside of the direct responsibility of the Council. The Council will however remain accountable for the grant funding and, as such, will be responsible for ensuring that the terms of the grant are met. Directors must therefore ensure that effective monitoring and reporting procedures are in place to provide assurances over the eligibility of expenditure incurred by a third party.

9.4. Work by the Council for other organisations

9.4.1. Approval to contractual arrangements

Work can only be undertaken for other organisations where the Council has the legal powers to undertake the work. Where such legal powers exist, Directors are responsible for:

- (a) Approving the contractual arrangements for any work undertaken by their services for third parties or external bodies.
- (b) Ensuring that the appropriate expertise exists to fulfil the contract.
- (c) Ensuring that no contract adversely impacts upon the services provided by the Council.

9.4.2. Financial aspects of third-party contracts

The **Section 151 Officer** will determine the accounting, banking and other financial arrangements for third party contracts.

Directors will:

- (a) Comply with any accounting instructions and other guidance issued by the **Section 151 Officer**.
- (b) Ensure that the appropriate insurance arrangements are made.
- (c) Ensure that all costs arising from the provision of services to a third party are recovered and hence that there is no subsidy included within the contract.
- (d) Ensure that the Council is not exposed to the risk of non-recovery of contract income.

9.4.3. Documenting and recording contracts

A written agreement must be put in place between the Council and the third party, which details the services to be provided, over what period and at what price; this will be signed by both parties to the agreement.

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10. Financial Limits

10.1. General

Throughout these Regulations, there are various financial limits. These limits have been brought together in this section, for ease of reference. The financial limits are to be applied subject to any limitations set out elsewhere in Financial Regulations.

The following tables summarise the minimum level of approval required on each matter; in the event that an officer at the specified level is unable to take a decision for any reason then the decision may be taken at a higher level in the organisation.

10.2. Revenue budget virements

Paragraph 4.3.3 set out the Scheme of Virement. This explains that virements that are being actioned to effect a change in policy or priorities (*either within the same portfolio or between portfolios*) will be subject to the following approval:

Amount	Minimum approval required
Up to and including £25,000 <i>(Subject to the aggregation rule in exception (iv) below)</i>	Assistant Director <i>(following consultation with the Budget Holder)</i>
More than £25,000, but not more than £50,000 <i>(Subject to the aggregation rule in exception (iv) below)</i>	Director <i>(following consultation with Section 151 Officer and Service Cabinet member(s)).</i>
More than £50,000, but not more than £100,000	Cabinet Member with responsibility for Finance <i>(following consultation with Director, Section 151 Officer and Service Cabinet Member(s))</i>
More than £100,000	Cabinet <i>(following consultation with Cabinet Members as above, Director and Section 151 Officer)</i>

10.3. Supplementary funding

All requests for supplementary funding are subject to the approval of Section 151 Officer, Cabinet or the Cabinet Member with responsibility for Finance (as detailed in paragraph 4.3.4).

As noted in paragraph 4.3.4, where supplementary funding is provided for a project that slips into the following financial year, or which progresses ahead of schedule, the supplementary funding can be re-profiled by one financial years without the need for

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further approval up to a threshold of **£100,000** provided that the funding is still being used for the approved purpose and the total agreed amount is not exceeded.

The approval of Cabinet is required to re-profile supplementary funding in excess of **£100,000** and to extend the period of utilisation of an approved supplementary estimate by more than one year beyond the original agreed period of utilisation.

10.4. Capital expenditure

As noted in paragraph **3.4.1**, the Council applies various de-minimis limits below which items that meet the definition of capital expenditure will be charged to revenue on the grounds of materiality. The limits are as follows:

De-minimis limits	£
General limit <i>(to be applied where no specific limit is applicable)</i>	10,000
Specific limits:	
Housing Revenue Account	10,000
Land	Nil

10.5. Capital monitoring and control

Section **4.5** sets out the arrangements for making changes to the capital programme in year, as follows.

10.5.1. Applying under spends to offset over spends

Where it is intended to redress an over spend against one scheme or 'block' approval by achieving savings against another project, the following consent is required to align the payment guidelines and scheme approvals for both projects:

Amount	Minimum approval required
Up to and including £25,000	Assistant Director <i>(following consultation with the Section 151 Officer, to ensure that there are no adverse implications upon capital financing resource, and the Budget Holder)</i>
In excess of £25,000, but not more than £50,000	Director <i>(following consultation with Section 151 Officer and Service Cabinet Member(s))</i> unless the saving being utilised is greater than 25% of the scheme approval that it is to come from, in which case the next level of approval is required.
More than £50,000, but not more than £100,000	Cabinet Member with responsibility for Finance <i>(following consultation with Director, Section 151 Officer and Service Cabinet Member(s))</i>

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Amount	Minimum approval required
More than £100,000	Cabinet (following consultation with Cabinet Members as above, Director and Section 151 Officer)

10.5.2. Re-profiling of payment guidelines between years

For schemes with 'starts approval', the re-profiling of capital payment guidelines between financial years is subject to agreement as follows:

Amount	Minimum approval required
Up to and including £50,000	Director (following consultation with the Section 151 Officer , to ensure that there are no adverse implications upon capital financing resources, and Budget Holder)
In excess of £50,000, but not more than £100,000	Director (following consultation with Section 151 Officer , Cabinet Member with responsibility for Finance and Service Cabinet Member , unless the amount being re-profiled is greater than 25% of the scheme approval, in which case the next level of approval is required.
More than £100,000, but not more than £250,000	Cabinet Member with responsibility for Finance (following consultation with Director , Section 151 Officer and Service Cabinet Member)
More than £250,000	Cabinet (following consultation with Cabinet Members as above, Director and Section 151 Officer)

10.5.3. Adding scheme and payment approvals to the Capital Programme

Any request to change the capital programme outside of the annual budget setting by adding or removing schemes, by allocating additional scheme and payment approvals to an approved scheme or by accelerating a scheme within the programme must be approved as follows:

Amount	Minimum approval required
Any value where it is funded by new external funding and has no adverse impact on Council resources	Section 151 Officer
Up to £100,000	Cabinet Member with responsibility for Finance (following consultation with the Director , Section 151 Officer and the Service Cabinet Member)
£100,000 and above	Cabinet (following consultation with all of the above)

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10.6. Settling insurance claims

As set out in paragraph 6.3, the settling of insurance claims against the Council will be subject to approval as follows:

Amount	Minimum approval required
Up to £20,000	Claims Lead
In excess of £20,000 and up to £50,000	Insurance Manager
In excess of £50,000 and up to £100,000	Assistant Director with responsibility for Insurance Manager in consultation with the Section 151 Officer
In excess of £100,000	Section 151 Officer in consultation with the Cabinet Member with responsibility for Finance

10.7. Property transactions

Paragraph 7.1.4 sets out the approval required to authorise property transactions, and to declare properties surplus to requirements, as follows:

Amount	Minimum approval required	
	Operational and surplus properties	Investment properties
Up to £5,000	Assistant Director, Estates	Section 151 Officer
£5,000 and above, but less than £20,000	Director, Commercial & Assets	<i>(following consultation with the Director, Commercial & Assets)</i>
£20,000 and above, but less than £50,000	Director, Commercial & Assets (following consultation with the Cabinet Member with responsibility for Property)	Section 151 Officer (following consultation with the Cabinet Member with responsibility for Finance)
£50,000 and above but less than £250,000	The Cabinet Member with responsibility for Property (following consultation with Director, Commercial & Assets, Section 151 Officer and the Cabinet Member with responsibility for Finance).	The Cabinet Member with responsibility for Finance (following consultation with the Leader and Section 151 Officer).
£250,000 and above	Cabinet	Cabinet

Financial Regulations

Notwithstanding the above thresholds, the approval of the **Cabinet Member** with responsibility for **Finance** must be obtained (*after consulting the Cabinet Member with responsibility for Property*) if it is proposed to dispose of the freehold or a leasehold interest (in full or in part) in a property at a value which is below fair value.

10.8. Disposal of other assets

Paragraph 7.1.5 sets out the approval required for the disposal of other assets, as follows:

Amount	Minimum approval required
Up to £5,000	Assistant Director
£5,000 and above, but not more than £20,000	Director
£20,000 and above, but not more than £50,000	Director (following consultation with the Section 151 Officer and Service Cabinet Member)
£50,000 and above but not more than £250,000	Cabinet Member with responsibility for Finance (following consultation with Director as above, S151 Officer and the Cabinet Member)
More than £250,000	Cabinet

10.9. Write off of inventory

The approval required to write off inventory balances per annum is detailed in paragraph 7.2, as follows:

Amount	Minimum approval required
Up to and including £10,000	Assistant Director
In excess of £10,000, but not more than £25,000	Director (<i>following consultation with Budget Holder and Section 151 Officer</i>)
More than £25,000	Cabinet Member with responsibility for Finance (<i>following consultation with Director, Section 151 Officer and Service Cabinet Member(s)</i>)

10.10. Acceptance of cash payments

As noted in paragraph 6.5.6, the acceptance of cash payments of greater than **£5,000** is prohibited, other than with the prior approval of the **Section 151 Officer**.

10.11. Loans to third parties

The approval required for loans sought from the Council (paragraph 7.3.3) that are not loans to employees, treasury management investments, or loans for the purpose of

Financial Regulations

financing expenditure which, if incurred by the Council, would constitute capital expenditure, requires approval as follows:

Amount	Minimum approval required
Less than £20,000	Section 151 Officer
£20,000 and above but less than £50,000	Cabinet Member with responsibility for Finance (following consultation with the Section 151 Officer)
£50,000 and above	Cabinet

The rate of interest chargeable on loans for this purpose will be determined in consultation with the **Section 151 Officer**, having due regard to the subsidy control requirements applicable in the United Kingdom .

10.12. Writing off debts

The approval required to write off debts is detailed in paragraph **8.1.4**, as follows:

Amount	Minimum approval required
Up to £5,000	Budget Holder
In excess of £5,000, and not more than £10,000	Assistant Director (following consultation with the Budget Holder)
In excess of £10,000, and not more than £25,000	Director (following consultation with Assistant Director)
In excess of £25,000, and not more than £50,000	Section 151 Officer (following consultation with the Director)
In excess of £50,000 not more than £100,000	Service Cabinet Member (following consultation with the Director and Section 151 Officer)
More than £100,000	Cabinet Member with responsibility for Finance (following consultation with the Section 151 Officer and the Service Cabinet Member)

10.13. Purchasing

As set out in paragraph 8.3.1, orders for work, goods and services must be authorised by someone of at least the seniority set out below:

- (a) Where the order is issued to reflect a procurement decision taken by Members then the order may be authorised by the operational budget holder;
- (b) In other cases the order must be authorised in accordance with the table below:

Financial limit	Minimum approval required	Allocated cost centres
£500,000 and over	Chief Executive or Section 151 Officer	All

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Financial limit	Minimum approval required	Allocated cost centres
Up to £500,000	Directors	<i>As defined by Chief Executive</i>
Up to £250,000	Assistant Directors	<i>As defined by Director</i>
Up to £25,000	Operational Budget Holder	<i>As defined by the Assistant Director</i>
Up to £5,000	Officers authorised to act on behalf of the Operational Budget Holder	<i>As defined by the Assistant Director</i>

Contracts with a value of under **£500,000** may be signed by:

- (a) A person who is authorised to issue an order for that contract; or
- (b) The **Chief Executive, Monitoring Officer** or **Section 151 Officer** (or a person authorised by any of them).

Contracts with a value of more than **£250,000** must be in writing and must be signed in accordance with the Constitution (i.e. by an **Director, Monitoring Officer, Section 151 Officer** or the **Chief Executive** or be affixed under the common seal of the Council).

10.14. Other payments

Payments other than those arising from purchasing and procurement must be authorised in accordance with the limits set out in paragraph 8.4, which are listed below:

Financial limit	Minimum approval required	Allocated cost centres
£500,000 and over	Chief Executive or Section 151 Officer	<i>All</i>
Up to £500,000	Directors	<i>As defined by Chief Executive</i>
Up to £250,000	Assistant Directors	<i>As defined by Director</i>
Up to £25,000	Operational Budget Holder	<i>As defined by Director</i>
Up to £5,000	Officers authorised to act on behalf of the Operational Budget Holder	<i>As defined by the Assistant Director</i>

10.15. Ex-gratia payments

The approval required to make ex-gratia payments to staff is set out in paragraph **8.5.3**, as follows:

Amount	Minimum approval required
Up to £5,000	Budget Holder
In excess of £5,000, but not more than £10,000	Assistant Director (<i>following consultation with the Budget Holder</i>)

Financial Regulations

Amount	Minimum approval required
In excess of £10,000 but not more than £50,000	Director (<i>following consultation with the Assistant Director</i>)
More than £50,000	Section 151 Officer (<i>following consultation with the Director</i>)

10.16. Emergency Payments

As set out in paragraph 8.7, the following approval is required to make emergency payments:

Amount	Approval required
Up to £25,000	Director <i>The Director will notify the Section 151 Officer as soon as practicable after the event that the emergency payment has been made.</i>
In excess of £25,000, but not more than £100,000	Chief Executive <u>or</u> the Section 151 Officer (following consultation with the Cabinet Member with responsibility for Finance)
More than £100,000	Cabinet Member with responsibility for Finance (<i>following consultation with all of the above</i>)

10.17. Delegation of budget to a partnership

Paragraph 9.2.3 sets out what is meant by the term ‘partnership’, and sets out the approval required to delegate budgets to a partnership as follows:

Amount	Minimum approval required
Less than £25,000	Assistant Director
£25,000 and above, but not more than £100,000	Director (<i>following consultation with the Assistant Director</i>)
£100,000 and above, but not more than £250,000	Section 151 Officer (<i>following consultation with Director</i>)
£250,000 and above, but not more than £500,000	Cabinet Member with responsibility for Finance (<i>following consultation with Director and the Section 151 Officer</i>)
More than £500,000	Cabinet (<i>following consultation with the Section 151 Officer and the Cabinet Member with responsibility for Finance</i>)

Part 2 – Scheme of Delegation for Financial Management

Scheme of Delegation for Financial Management

1. Introduction

The purpose of the Financial Regulations is to set out the Council's financial policies and framework for managing the Council's financial affairs. The Regulations seek to ensure that the Council conducts its affairs in a way that complies with specific statutory provisions and best professional practice. All financial and accounting procedures and delegations must therefore be carried out in accordance with the Regulations and other corporate guidance.

The purpose of this document is to set out how **non-executive decisions** are reserved or are delegated to officers within the Council.

2. Principles of delegation

2.1 Introduction

The Financial Regulations are organised around seven themes of financial management as follows:

- (a) [Financial planning](#) (Section 3)
- (b) [Financial management](#) (Section 4)
- (c) [Accounting records and financial systems](#) (Section 5)
- (d) [Risk Management and Internal Control](#) (Section 6)
- (e) [Control of resources](#) (Section 7)
- (f) [Income and expenditure](#) (Section 8)
- (g) [External arrangements](#) (Section 9)

For each of these themes, delegation arrangements are needed that:

- (a) support the efficient running of the Council, through appropriate allocation of tasks and responsibilities; and
- (b) contribute to an effective internal controls' framework.

This latter point is assessed on an annual basis through the self-assessment process that Directors are asked to undertake and reported in the Annual Governance Statement.

The specific components of the internal controls' framework are:

- (c) Preventative controls (*i.e. segregation of duties, authorisation procedures, physical custody, access limitations*);
- (d) Detective controls (*i.e. arithmetical and accounting checks, consistency checks, continuity checks*); and
- (e) Directive controls (*i.e. written policies and procedures, reporting lines, supervision and management and training*).

Compliance with Financial Regulations and the Scheme of Delegation for Financial Management not only enhances the Council's control environment but also protects employees against allegations of mismanagement, fraud and unprofessional conduct.

Scheme of Delegation for Financial Management

2.2 Powers for delegation

The Council operates a system of devolved financial management which is enshrined within its Constitution. It states that any exercise of delegated powers shall be subject to:

- (a) Any statutory restrictions.
- (b) Council Procedure Rules.
- (c) Financial Procedure Rules,
- (d) Procurement Policy and Procedures.

In exercising delegated powers:

- (e) Cabinet Members and Officers shall not go beyond the provision made in the revenue or capital budgets for their service except to the extent permitted by Financial Procedure Rules and Procurement Policy and Procedures.
- (f) The delegated authority to Officers includes management of the human and material resources made available for the service areas and the functions concerned.

Decisions which an officer takes under delegated powers must:

- (g) Only implement a policy or decision previously approved or taken by Council, Cabinet or Cabinet Member.
- (h) Facilitate or be conducive or incidental to the implementation of a policy or decision previously taken by the Cabinet or Cabinet Member.
- (i) Relate to the management of the human, material and financial resources made available for the functions for which they are responsible.

Officers do not have the power to:

- (j) Make changes to policies relating to fees, charges or concessions.
- (k) Make decisions on the use of permanent savings in a budget.
- (l) Approve the making of an order for the compulsory acquisition of land.
- (m) Approve the acquisition of land in advance of requirements.

This framework reflects the Financial Regulations and allocates responsibilities to **Directors** as follows:

- (n) Putting in place appropriate budget management and delegation arrangements to ensure the effective use of resources, the safeguarding of assets and the operation of a system of appropriate internal controls.
- (o) Promoting the financial management standards set by the **Section 151 Officer** within their Services, and monitoring adherence to the standards and practices, liaising as necessary with the **Section 151 Officer**, and ensuring that appropriate training is provided to those staff with financial management responsibilities.
- (p) Promoting sound financial practices in relation to the standards, performance and development of staff in their services.
- (q) Advising Cabinet Members of the financial implications of all proposals and ensuring that the financial implications have been agreed by the **Section 151 Officer**.

Scheme of Delegation for Financial Management

- (r) Seeking approval on any matter liable to affect the Council's finances materially before any commitments are incurred.
- (s) Signing contracts on behalf of the Council (in accordance with the Council's Procurement Policy and Procedures).
- (t) Consulting with, and obtaining the approval of, the **Section 151 Officer** before making any changes to accounting records or procedures.
- (u) Complying with the following principles when allocating accounting duties:
- (v) Separating the duties of (i) providing information about sums due to or from the Council and calculating, checking (including reconciliations) and recording these sums, from (ii) the duty of collecting or disbursing them.
- (w) Employees with the duty of examining or checking the accounts of financial transactions must not themselves be engaged in these transactions.
- (x) Ensuring that claims for funds, including grants and 'match funding', are made by the due date and that appropriate records are maintained, according to funding conditions.
- (y) Contributing to the development of performance plans in line with statutory requirements.
 - (z) Contributing to the development of corporate and service targets, objectives and performance information.

Scheme of Delegation for Financial Management

3. Financial delegations

Matter	Threshold	Delegation to	Ref to Fin Regs
3.1 Control of Resources			Section 7
Ensure that borrowing and investment activities are undertaken in accordance with the parameters and limits set by the Council.	Within the parameters and limits set by the Council (in the annual Capital Strategy)	<ul style="list-style-type: none"> • Section 151 Officer; and • Chief Accountant. 	7.3.2
Day to day management of the Council's treasury management activities , ensuring that temporarily surplus funds are invested until next needed or that funds are borrowed to cover temporary shortfalls of cash.		<ul style="list-style-type: none"> • Chief Accountant; and • Authorised dealing officers. 	7.3.2
Operation of a petty cash imprest account .		Nominated Petty Cash Account Holders	7.3.5
Authorisation of petty cash disbursements per item		Operational Budget Holders	7.3.5
3.2 Income and Expenditure			Section 8
Operation of a purchase card	Total value of less than £2,000 and in accordance with the Council's Purchase Card Policy	Operational Budget Holders	8.2.3
Authorise requisitions for work, goods and services via the Council's purchase to pay system	Requisitions for items individually up to £200 and raised against corporate mandated contracts	<ul style="list-style-type: none"> • Self-certification by the person raising the requisition 	8.3.1
	All other requisitions	<ul style="list-style-type: none"> • Approved by an authorised signatory with the relevant approval limit, as defined in Financial Regulations. 	8.4

Scheme of Delegation for Financial Management

Matter	Threshold	Delegation to	Ref to Fin Regs
Authorise orders for IT hardware and software	For orders of any value funded from revenue budgets	<ul style="list-style-type: none"> IT operational budget holder 	N/A
	For orders of any value funded from capital budgets	<ul style="list-style-type: none"> Capital scheme budget holder 	N/A
Authorise the payment, to relevant government agencies and other bodies, of amounts either deducted from salaries, or related to officers' remuneration.		<ul style="list-style-type: none"> Section 151 Officer Director, Corporate & Customer; or Assistant Director, People & Engagement 	8.5.1
Authorise expense claims (incl. travel and subsistence)	Claims of up to £50 (or 100 miles)	<ul style="list-style-type: none"> Self-certification by claimant 	8.5.2
	Claims in excess of £100 (or 200 miles) and up to £1,000 (or 2,000 miles)	<ul style="list-style-type: none"> Line manager 	8.5.2
	Claims in excess of £1,000 (or 1,000 miles)	<ul style="list-style-type: none"> Operational Budget Holder 	8.5.2

Scheme of Delegation for Financial Management

4. Guidance on roles and responsibilities

4.1 Introduction

The Council operates a system of devolved financial management which, in practice, means certain responsibilities are devolved to services, as follows:

- (a) Ensuring that there is proper stewardship of public resources.
- (b) Ensuring that statutory and regulatory standards are met.
- (c) Ensuring value for money in the use of resources.
- (d) Identifying, evaluating and managing risk.
- (e) Supporting good decision making through the provision of financial information and advice to decision makers.
- (f) Analysis of service activity costs and trends to feed into performance information.
- (g) Aligning resource allocations with business objectives.
- (h) Maximising income sources without being diverted from business priorities.

It is therefore important that there is clarity over roles and responsibilities within these areas of activity.

4.2 Budget holders

The operation of financial management across the Council is carried out within a framework of budget holders, supported by Finance & Procurement.

The term 'budget holder' is used to cover a range of responsibilities and accountabilities starting from the Director, who will oversee the overall delivery of a range of services, down to the operational budget holder who will be accountable for the day to running of a service and the management of the associated budget.

The default position is that the Assistant Director will be the operational budget holder. However, the Assistant Director may designate a Tier 4 officer (i.e. a direct line report of the Assistant Director) as the operational budget holder.

There will usually be a series of delegations operating in support of the operational budget holder, whereby those with delegated authority are able to commit funds on the budget holder's behalf (*i.e. within parameters agreed by the operational budget holder*).

The role of each of these levels of 'budget holder', across the main themes in Financial Regulations, is summarised in the following pages.

Scheme of Delegation for Financial Management

Theme	Director	Assistant Director and Operational Budget Holder	Officers with delegated authority to act on Budget Holder's behalf
Financial Planning	<ul style="list-style-type: none"> Provides the overall strategic direction, and oversees the preparation of the budget, for their set of services. 	<ul style="list-style-type: none"> Ensures that new initiatives and legislative requirements are considered as appropriate. Prepares the detailed revenue and capital budgets, reflecting the strategic direction set by the Director / Assistant Director. 	
Financial Management	<ul style="list-style-type: none"> Assigns budget holder responsibility and ensures there are appropriate budgetary control processes in place. Receives regular reports on performance against budget from Assistant Directors. Where appropriate, approves virements within the financial limits set out with Financial Regulations, or seeks additional funding if necessary. Ensures budget provision is in place for any new policies. 	<ul style="list-style-type: none"> Places orders and incurs expenditure for services in accordance with appropriate procurement advice and the approved budget. Records income and expenditure properly and maintains appropriate commitment records to aid with budget management. Prepares reports, with finance support on performance against budget. Where appropriate, approves virements within the financial 	<ul style="list-style-type: none"> Places orders and incurs expenditure for services in accordance with appropriate procurement advice and the approved budget.

Scheme of Delegation for Financial Management

Theme	Director	Assistant Director and Operational Budget Holder	Officers with delegated authority to act on Budget Holder's behalf
		<p>limits set out with Financial Regulations, or refers to the Director/Assistant Director for action,</p> <ul style="list-style-type: none"> Reviews regularly the value for money of the service delivery arrangements. 	
<p>Accounting records and Financial Systems</p>	<ul style="list-style-type: none"> Ensure Section 151 Officer' approval is obtained to operate or change a financial system (or any financial element of a non-financial system). Ensure that systems are backed up and disaster recovery and business continuity plans are maintained to allow information system processing to resume quickly in the event of interruption. Ensure adequate audit trail exists through computerised systems. 	<ul style="list-style-type: none"> Ensures compliance with proper accounting guidance and practice by following advice and guidance from finance. 	<ul style="list-style-type: none"> Complies with proper accounting practices and guidance issued from finance.

Scheme of Delegation for Financial Management

Theme	Director	Assistant Director and Operational Budget Holder	Officers with delegated authority to act on Budget Holder's behalf
Risk Management and Control	<ul style="list-style-type: none"> • Takes overall ownership of risk within their service areas, ensuring risk management is implemented in line with the overall risk management strategy. • Reviews risks in their service areas and progress on mitigating actions at regular management meetings. • Consults the Section 151 Officer and the Monitoring Officer on the terms of any indemnity. • Establishes 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. 	<ul style="list-style-type: none"> • Ensures risk management within their area is implemented in line with the strategy. • Reviews service risks and progress on mitigating actions at regular management meetings. • Notifies the Section 151 Officer immediately of any loss, liability or damage that may lead to a claim against the Council. • Notifies the Section 151 Officer promptly of all new risks, properties or vehicles that require insurance and of any alterations affecting existing insurances. • Responds to internal audit reports in writing, within a timescale agreed detailing the action intended to address any recommendations, and monitors 	

Scheme of Delegation for Financial Management

Theme	Director	Assistant Director and Operational Budget Holder	Officers with delegated authority to act on Budget Holder's behalf
	<ul style="list-style-type: none"> • Undertakes an annual self-assessment of the status of the systems of internal control within their service areas, as directed by the Section 151 Officer. • Supports Internal Audit in any review being undertaken within their area, nominates a sponsor responsible for taking forward audit issues, and responds to issues raised within audit reports within the agreed timescale. • Ensures that the anti-fraud and corruption policy is followed and that any appropriate action is taken. 	<ul style="list-style-type: none"> • implementation of agreed actions. • Maintains a Hospitality Register and a Register of Interests within each service in which the acceptance of any hospitality or gifts is recorded. 	
Control of resources	<ul style="list-style-type: none"> • Ensures there are appropriate control procedures in place with regard to assets, stock and stores 	<ul style="list-style-type: none"> • Ensures the proper security of all buildings, vehicles, equipment, furniture, stock, stores and other property belonging to the 	<ul style="list-style-type: none"> • Employees operating an imprest account will make adequate arrangements for the safe custody of the account as set

Scheme of Delegation for Financial Management

Theme	Director	Assistant Director and Operational Budget Holder	Officers with delegated authority to act on Budget Holder's behalf
		<p>Council and consults with the Assistant Director, Estates in any case where security is thought to be defective or where it is considered that special security arrangements may be needed.</p> <ul style="list-style-type: none"> • Ensures that keys to safes and similar receptacles are carried on the person of those responsible at all times; loss of such keys must be reported to the Chief Audit Executive. • Provides the Section 151 Officer with the information required to maintain the asset register in relation to vehicles, plant and equipment (including IT) • Maintains inventories of all furniture, fittings, equipment, plant and machinery, and carries out an annual check of all items on the inventory. 	<p>out in paragraph 7.3.4 of the Financial Regulations.</p>

Scheme of Delegation for Financial Management

Theme	Director	Assistant Director and Operational Budget Holder	Officers with delegated authority to act on Budget Holder's behalf
Income and Expenditure	<ul style="list-style-type: none"> · Establishes a charging policy for the supply of goods or services, and reviews it regularly, in line with corporate policies and annual budget setting timetables. Ensures there are adequate arrangements and delegations in place for ordering, authorising, and receipting of goods and services. · Maintains an up-to-date list of those staff who can order, authorise and receipt goods and services, and identifies in each case, any limits to an individual's authority. · Ensures there is an appropriate control arrangement in place relating to cash handling. · Provides an up-to-date list of the names of officers authorised 	<ul style="list-style-type: none"> · Implements the charging policies. · Acts in accordance with the delegated limits applied to ordering, authorisation and receipt of goods and services. · Has regard to value for money when considering procurement activities. · Establishes and initiates appropriate recovery procedures, including legal action where necessary, for debts that are not paid promptly. · Notifies the Section 151 Officer immediately of any expenditure to be incurred as a result of statute/court order where there is no budgetary provision. · Ensures that adequate and effective systems and 	<ul style="list-style-type: none"> · Raises invoices according to the agreed charging policies. · Places orders for goods and services in accordance with the Council's Procurement Policy and Procedures (and on the Council's e-procurement purchase to pay system). · Checks goods and services upon receipt to ensure they are in accordance with the order (<i>wherever possible, goods should not be received by the person who approved the order</i>). · Records the receipt of goods on the Council's e-procurement purchase to pay system in order to provide an approval to pay for goods and services received by the authority.

Scheme of Delegation for Financial Management

Theme	Director	Assistant Director and Operational Budget Holder	Officers with delegated authority to act on Budget Holder's behalf
	<p>to sign records to the Head of Human Resources, together with specimen signatures,</p> <ul style="list-style-type: none"> • Ensures that appropriate arrangements are made for meeting the competitive requirements set out in the Financial Regulations. 	<p>procedures are operated for payments to employees and for goods and services.</p>	<ul style="list-style-type: none"> • Ensures that the correct VAT liability is attached to all income due and that all VAT recoverable on purchases and expenses complies with HM Revenue and Customs regulations. • Follows the guidance on VAT issued by the Section 151 Officer.
External arrangements	<ul style="list-style-type: none"> • Ensures partnership arrangements meet corporate policies and strategies for working with other bodies. • Ensures partnerships are governed by formal documented agreements. • Undertakes a risk management appraisal of proposed new partnership arrangement. • Ensures information on the partnership arrangements is 	<ul style="list-style-type: none"> • Monitors partnership arrangements to ensure they are operating according to agreements. • Measures the performance of partnerships to ensure that the overall arrangements represent best value for the residents of Castle Point. • Ensures that all funding notified by external bodies is received 	

Scheme of Delegation for Financial Management

Theme	Director	Assistant Director and Operational Budget Holder	Officers with delegated authority to act on Budget Holder's behalf
	<p>provided to the Section 151 Officer, so that the appropriate disclosures can be made within the Council's annual statement of accounts.</p> <ul style="list-style-type: none"> Approves the contractual arrangements for any work undertaken for third parties or external bodies. 	<p>and properly recorded in the Council's accounts.</p>	

Scheme of Delegation for Financial Management

Scheme of Delegation for Financial Management

4.3 Finance support

The Council's system of devolved financial management means that services take decisions on their budgets, supported by Finance. The organisational model for Finance is one that seeks to minimise transactional resource through the use of technology, allowing for a focus on value-added support to budget holders, backed up by specialist and technical accountants where appropriate and when needed.

There is a Finance Business Partner assigned to each Director, acting as key liaison point between the services covered by the Director and Finance. The Finance Business Partners report to the **Section 151 Officer**. The Finance Business Partners are required to report regularly on any issues relating to possible non-compliance with any financial rules or agreed practices and on any financial pressures which may result in a failure to meet the budgets.

5. Authorised signatory process

In order to facilitate compliance with the Financial Regulations and Scheme of Delegation for Financial Management (SoDFM), the Council has an authorised signatory process.

The authorised signatory arrangements are predicated on there being a primary approver assigned to each cost centre code. The primary approver is the lowest level authorised signatory for a cost centre code.

Budget holders must determine whether to fulfil the role of primary approver for their cost centre code(s) or whether to designate another officer as their primary approver. If the primary approver is an officer with delegated authority to act on the budget holder's behalf, the primary approver must be in the Budget Holder's line management hierarchy. This is because all requisitions will be routed up the primary approver's line management hierarchy until reaching the person with the relevant delegated approval limit.

The delegated limits of the primary and other approvers will be determined with reference to the following parameters:

Financial limit	Minimum approval required	Allocated cost centres
£500,000 and over	Chief Executive or Section 151 Officer	<i>All</i>
Up to £500,000	Directors	<i>As defined by Chief Executive</i>
Up to £250,000	Assistant Directors	<i>As defined by Director</i>
Up to £25,000	Operational Budget Holder	<i>As defined by the Assistant Director</i>
Up to £5,000	Officers authorised to act on behalf of the Operational Budget Holder	<i>As defined by the Assistant Director</i>

Scheme of Delegation for Financial Management

Whilst Financial Regulations (see paragraph 8.3.4) allow for the possibility of officers with delegated authority to act on their budget holder's behalf having a delegated limit of up to **£5,000**, in exceptional circumstances Budget Holders have the flexibility to assign a lower approval limit, taking account of the individual's job level.

It is only possible to have one primary approver for a cost centre code, and one approver at each successive level in the approval chain. However, any approver in the applicable approval chain can reassign their delegated limit to another officer (for example to cover periods of absence). No approver can assign their delegated limits to an officer who would have a lower limit than that implied in the above table though. Similarly, no one may authorise an order unless they are satisfied that they have the delegated power to commit the expenditure.

Details of the budget holder and primary approver for each cost centre code are held by Financial Services and are used to notify the relevant authorised signatory when there are transactions to be approved. The authorised signatory details may also be used by Internal and External Audit to support their testing of the Council's internal controls framework.

Contract Procedure Rules



Castle Point Borough Council

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Contract Procedure Rules

1. INTRODUCTION

- 1.1 In these Contract Procedure Rules the expression “the Council” shall be deemed to include reference to Council, Cabinet or any Regulatory Committee with power to make decisions.
- 1.2 Contract Procedure Rules are formal Rules which exist to ensure that the Council lets Contracts in a fair, consistent, honest, open, transparent and legal manner.
- 1.3 Section 135 of The Local Government Act 1972 requires Local Authorities to introduce and implement Standing Orders for Contracts let “by them or on their behalf for the supply of goods or materials or for the execution of works”.
- 1.4 This document, therefore, constitutes the Council’s Contract Standing Orders pursuant to Section 135 of the Local Government Act 1972.
- 1.5 This edition of the Contract Procedure Rules will apply from May 2024 and supersedes all previous editions. Where updates are required (e.g. due to changes in legislation) these will be authorised by the section 151 officer and the updated version published on the Council’s website.
- 1.6 All Contracts let by the Council will comply with the Local Government Act 1988 (Part II) which lays down general rules as to contracting practice.
- 1.7 In determining whether a financial threshold has been reached pursuant to Rule 4 below, it is a requirement of these Contract Procedure Rules to aggregate the value of separate Contracts for meeting a single requirement. Conversely, single requirements must not be broken down for the purpose of taking the value below the financial threshold.
- 1.8 Where under any Contract the Council is receiving rather than making payments, these Contract Procedure Rules will be observed as far as possible by the Council, and any breaches will be recorded in writing and reported to Cabinet, if in the opinion of the Proper Officer such a breach may result in an adverse impact on Council functions.

2. BEST VALUE

- 2.1. In all areas of contract revision to which the Council is either a party or of which it is a beneficiary, regard shall be had to the requirements of economy, efficiency and effectiveness specified in Section 3 of the Local Government Act 1999 (“the Act”) and, in particular, to any performance indicators or performance standards specified by the Secretary of State under Section 4 of the Act.
- 2.2 Contractors, sub-contractors or agents appointed pursuant to a Contract with the Council shall be, throughout the duration of the Contract, under a continuing duty to the Council:

- 2.2.1 To make arrangements to secure continuous improvement in the performance of its obligations to the Council having regard to a combination of economy, efficiency and effectiveness and, in particular, to any performance indicators or performance standards specified by the Council and the need of the Council to achieve efficiencies and realise value for money;
- 2.2.2 To supply such information as the Council may from time to time reasonably request relating to the Contract and/or to the performance by that party of its obligations to the Council under that Contract;
- 2.2.3 To co-operate fully with the Council in discharging the Council's duty under Section 3 of the Act including as and where appropriate:
- setting benchmarks or performance indicators by which to measure performance under the Contract;
 - incorporating into the Contract any applicable performance indicators or performance standards specified by the Council, whether prior to or during the course of the Contract;
 - establishing performance plans for the Contract either alone or together with other similar or related Contracts;
 - Undertaking regular periodic reviews of the performance of the Contract.

3. DEFINITIONS

- 3.1 "Proper Officer" shall mean the Officer who has been given delegated authority, either by way of a Cabinet or Council decision, or through the Council's Constitution or Financial Regulations to operate all or part of a procurement exercise (including the Essex Procurement Partnership) or are responsible for the relevant budget.
- 3.3. "Best price/quality ratio" means evaluation based on criteria such as qualitative, environmental and/or social aspects and may include for example: technical merits, aesthetic and functional characteristics, social and environmental characteristics as more particularly set out in Regulation 67 of the Regulations and provided it is appropriately linked to the subject matter of the contract.
- 3.4 "Contract" shall mean a Contract as defined in English Common Law.
- 3.5. "Contracts Finder" means the Governments web-based portal provided on behalf of the Cabinet office www.gov.uk/contracts-finder. All procurements that are advertised and exceed £25,000 **excluding** VAT shall also be advertised on Contracts Finder.
- 3.6 "Cost effectiveness approach" means cost or price and may include (so long as it is appropriately linked to the subject matter of the contract) life cycle costing such as all consecutive and/or interlinked stages, including research and development, production, trading and its conditions, transport, use and

maintenance, throughout the existence of the product, the works or the provision of the services from raw material acquisition or generation of resources to disposal, clearance and end of services or utilisation. It may also include greenhouse gases and pollutant emissions.

- 3.7 “Emergency” shall mean a situation which has arisen where in the opinion of the Proper Officer it has been brought about by events unforeseeable by and not attributable to the Council and where there is a real and immediate danger to health and safety, a need to protect the public or Council operations or Council’s interests or reputation and procuring goods, works or services is immediately necessary in order to deal with the emergency.
- 3.8 “E-Tendering” shall mean electronic procurement pursuant to Regulation 22 of the Regulations and Rule 34 below
- 3.9 “OJEU” means the Official Journal of the European Union.
- 3.10 “Open Tender” shall mean tendering in accordance with Rule 16.4 below.
- 3.11 “Project” shall mean a sequence of related activities which are designed to achieve a defined outcome/change in service.
- 3.12. “Partnership” shall be a joint working arrangement where the partners:
- Are otherwise independent bodies
 - Agree to co-operate to achieve a common goal
 - Create a new organisational structure or process to achieve a goal
 - Plan and implement a jointly agreed programme, often with joint staff or resources
 - Share relevant information and
 - Pool risks and reward
- 3.13 “The Most Economically Advantageous Tender” means that tenders will be evaluated on the basis of: price or cost or best quality ratio. Where quality evaluations are made, these are to be scored blind of price. Where cost or price is the basis of evaluation the “cost-effectiveness approach” must be used. Whichever evaluation basis is used the criteria must be linked to the subject matter of the contract pursuant to Regulations 67 and 68 of the Regulations.
- 3.14 “The Regulations” means the Public Contracts Regulations 2015.
- 3.15 “Schedule 3 Services” otherwise known as “light touch regime services” referred to in the Regulations are contracts for services for £663,540.00ⁱ **inclusive** of VAT or more which must be advertised in OJEU containing information listed in Annex V Part H or Part I as set out in Schedule 5 of the Regulations and which must also be advertised on Contracts Finder.
- 3.16 “SME” means small or medium-sized enterprises.

- 3.17 "Tender" shall mean any written, binding offer to supply materials, goods, supplies, services or works in the manner laid down in these Contract Procedure Rules relating to Contracts and whose value exceeds £50,000.
- 3.18 "Quotation" shall mean any offer, whether written or verbal, to supply materials, goods, supplies, services or works in the manner laid down in these Contract Procedure Rules relating to Contracts and whose value does not exceed £50,000.
- 3.19 "Serial Programme" shall mean any goods, works or services of a similar nature which are provided over a twelve month period, the total value of which exceeds the limit for which Tenders would normally be obtained.

4. FINANCIAL THRESHOLDS

- 4.1 Where values appear in these Contract Procedure Rules, these **exclude** VAT. Contract values have been given financial thresholds as follows:

Low Value	-	up to £10,000
Medium Value	-	£10,000 up to £50,000
High Value	-	£50,000 and over

- 4.2 The following values which are **inclusive** of VAT are relevant to EU procurement currently applicable (Rule 6 below):

£5,372,609 ⁱⁱ	(Works Contracts)
£214,904 ⁱⁱⁱ	(Supplies and Services Contracts)

5. COMPLIANCE WITH CONTRACT PROCEDURE RULES/FINANCIAL PROCEDURE RULES AND THE REGULATIONS

- 5.1 All Contracts made by the Council or on its behalf shall comply with these Contract Procedure Rules. The only exceptions to this will be as described in Rule 31 of these Contract Procedure Rules.
- 5.2 Every exception so made on behalf of the Council will be made in consultation with the Council's Monitoring Officer or Section 151 Officer with the reasons that justified the exception being made.
- 5.3 These Contract Procedure Rules set out minimum requirements: higher levels of diligence may be appropriate for specific Contracts.
- 5.4 Proper Officers are responsible for ensuring that relevant legal requirements are complied with, that proper procedures are observed under these Contract Procedure Rules, the Council's Financial Procedure Rules and the Regulations and that all relevant records are kept and maintained.
- 5.5 In the event of any conflict between European Community Legislation, UK Law and these Contract Procedure Rules, the requirements of European

Community Legislation shall prevail over UK Law and the requirement of UK Law shall prevail over these Contract Procedure Rules.

- 5.6 The Proper Officer must ensure that a genuine pre-Tender estimate of anticipated costs is prepared and recorded in writing and where appropriate the value of a Contract is ascertained in accordance with the relevant European Procurement Rules.

6. COMPLIANCE WITH EUROPEAN COMMUNITY DIRECTIVES

- 6.1 All Contracts let by the Council or on its behalf shall comply with any relevant European Community (EC) Directive. Directives are implemented by Regulations made under the European Communities Act 1972. In relation to EC procurement, EC Legislation becomes applicable when letting Contracts with an estimated value above £25,000.
- 6.2 In addition the Council is subject to the requirements of the Public Contracts Regulations 2015 which set out the procurement procedures and processes that the Council must follow.
- 6.3 Works Contracts valued over £5,372,609 **inclusive** of VAT^{iv} and supplies and services contracts with a total value over £214,904 **inclusive** of VAT^v must comply with the Regulations.
- 6.4. Schedule 3 Service contracts shall be subject to the “light touch regime”.

Officers proposing to enter into Contracts over these limits must obtain advice from the Essex Procurement Partnership to ensure that the correct procedures are followed.

Note: These are the current limits as at 1st January 2024 and are subject to change. Any amendments will be published by the Cabinet Office by way of a Procurement Policy Note.

6.5 Definitions

- 6.5.1 Works - New and replacement building and civil engineering works, improvement and modernisation works to building and structures.
- 6.5.2 Supplies - The purchase of goods, plant, equipment, vehicles, materials and energy.
- 6.5.3 Services - Repair and maintenance works
Transport
Telecommunications
Financial, accounting and computing
Research and development
Consultancy, market research and advertising
Building cleaning and property management
Publishing and printing

Refuse collection and disposal
Sewage disposal
Hotel and restaurant services
Legal services
Personnel and placement services
Environmental health services
Security
Recreational, cultural and sporting Services
Insurance
Certain other services

6.5.4 Contract Value – the Total estimated value of the Contract to be placed, NOT the annual value.

7. **AGENCY WORK**

No agency work shall be carried out on behalf of any other organisation without the prior approval of the Council and without adequate Insurance arrangements being put in place.

8. **CORPORATE REGISTER OF CONTRACTS and TENDERS**

8.1 Proper Officers are responsible for ensuring that all contracts over the value of £5,000 **excluding** VAT relating to their services are entered on the Council's Contract Register. The information shall include the title of the Contract, description of the goods, works and/or services being provided, contract price, start, end and review dates, name of the contractor including company registration number, whether or not the contract was the result of an invitation to quote or invitation to tender and whether the contractor or supplier is an SME.

8.2 Proper Officers are also responsible for ensuring that details of all tenders over the value of £5,000 **excluding** VAT relating to their services are entered on the Council's Register of Tenders. The information shall include title of the procurement, description of the goods and/or services, start, end and review dates and dept responsible for the procurement in order to meet the Council's obligations under the Local Government Transparency Code 2015.

8.3 Pursuant to the Local Government Transparency Code 2015 the Council publishes on its website details of its expenditure on goods, works or services in excess of £500. Sole traders or bodies acting in a business capacity with the Council in receipt of payments of at least £500 of public money should expect such payments to be transparent.

8.4 The Council's Contracts and Tenders Registers are open for inspection by the public on the Council's website pursuant to the Local Government Transparency Code 2015.

9. PRE-CONTRACT APPRAISAL

9.1 Before inviting Tenders or seeking quotations Proper Officers will ensure that:

- (i) Any pre-procurement market consultation with a view to preparing for the procurement and informing providers of the Council's procurement plans and requirements which may include the current incumbent:
 - a. does not have the effect of distorting competition and
 - b. does not breach requirements for non-discrimination and transparency and
 - c. avoids any conflicts of interest
 - d. there are no equality issues or issues arising from the processing of personal information

A risk assessment may form part of the pre-contract appraisal to identify the above risks and incorporate steps taken to mitigate against such risks;

- (ii) The proposed Contract is provided for in the appropriate budget;
- (iii) The proposed Contract has been approved by the Council or is authorised pursuant to the budget process and delegated powers;
- (iv) Proper consideration and compliance with the Council's Project Management workbook where the proposed Contract forms part of a Project;
- (v) Proper technical and financial appraisal of the scheme has been undertaken;
- (vi) In the case of high value Contracts, the Contract planning process allows sufficient time for the Council to decide which form of procurement route will be taken;
- (vii) Appropriate time is made available at each of the key stages, for example, to allow potential contractors to provide a considered response and answer any supplementary questions;
- (viii) Consideration has been given to any equality issues and an Equality Impact Assessment undertaken and that where appropriate consultation with service users has been undertaken;
- (ix) Consideration has been given to the Council's obligations in safeguarding children and vulnerable adults and whether contractors and suppliers should be subject to DBS checks.
- (x) Consideration has been given to any data protection issues in relation to the processing of personal information identified in a Data Privacy Impact Assessment in particular the security of personal information and compliance with the General Data Protection Regulations 2016 and the Council's Data Protection Policy 2018

10. PREPARATION OF TENDER DOCUMENTS

10.1 Tender documentation will normally consist of one or more of the following documents:

- (i) Drawings
- (ii) Specification
- (iii) Bills of Quantity
- (iv) Standard Terms and Conditions of Contract together with special conditions (if appropriate)
- (v) Pre-qualification questionnaire (if appropriate and procurement is above EU threshold)
- (vi) Invitation to Tender
- (vii) Instructions to Tenderers (below EU threshold may include suitability assessment questions but cannot include a PQQ stage)
- (viii) Evaluation criteria in descending order of importance together with any weightings
- (ix) Insurance requirements
- (x) Collusive Tendering Contract
- (xi) Canvassing Certificate
- (xii) Contract Performance Bond (where appropriate)
- (xiii) Form of Tender
- (xiv) Acceptance documents.

10.2 Other information that will need to be made available to ensure that Contractors' bids reflect service requirements and are competitively priced include the following:

- (i) The Terms and Conditions under which assets will be made available
- (ii) Workforce information required for the purpose of assessing prospective liability in relation to the possible transfer of an undertaking. To ensure consistency of provision of information, this will be provided by the Proper Officer and not by an existing Contractor;
- (iii) The amount of work likely to be available under the Contract.

10.3 The Proper Officer will ensure that:

- (a) Ambiguities and contradictions do not occur between documents and information provided;
- (b) Any locally prepared variations to standard documentation are clear and use generally accepted terms;
- (c) Contract terms and conditions and specifications are in the best interests of the Council in respect of quality, cost and performance.

10.4 To ensure consistency and to aid understanding by the Tenderer, Tender documentation will be collated by an experienced Officer who will obtain the advice and approval of the Essex Procurement Partnership.

10.5 Tender documents shall be made available electronically for Tenderers at the time of publication in OJEU and pursuant to Regulation 22 the Council has switched to fully electronic communication unless Regulations 22(3) or (5) of the Public Contracts Regulations 2015 apply.

11. PRE-QUALIFICATION QUESTIONNAIRES

- 11.1 A pre-qualification stage is not permitted in relation to procurements below the EU Thresholds referred to in paragraph 4.2 however as part of the Invitation to Quote or Tender for procurements over the threshold of £10,000 **excluding** VAT suitability assessment questions may be asked of contractors or suppliers.
- 11.2 Suitability assessment questions must be:
- 11.2.1 relevant to the subject matter of the procurement;
 - 11.2.2 proportionate;
 - 11.2.3 used to assess whether minimum standards are met
- 11.3 Responses to suitability assessment questions may only be used to establish whether contractors or suppliers meet minimum standards of suitability, capability, legal status or financial standing and where processing personal data have the appropriate technical and organisational measures in place to comply with the General Data Protection Regulations 2016. All candidates that meet the minimum standards must be invited to bid.
- 11.4 Pre-Qualification Questionnaires shall contain mandatory and discretionary grounds for exclusion pursuant to Regulation 57 of the Regulations.
- 11.5 Construction prequalification questionnaires should be used for all construction related procurement, specifically PAS91:2013+A1:2017, unless the procurement is being undertaken within a framework that already has a PQQ process that meets this requirement, for example, Constructionline Silver membership or above.

12. ADVERTISING REQUIREMENTS

- 12.1 Pursuant to the Public Contracts Regulations 2015 the Council is required to advertise contracts and contract award notices with values as follows:
- (a) £25,000 up to £50,000 **excluding** VAT (goods, works and services) on Contracts Finder if the procurement opportunity is published elsewhere such as the Council's website or on a portal
 - (b) £50,000 **excluding** VAT to £214,904 **including** VAT (goods and services) on Contracts Finder
 - (c) £50,000 **excluding** VAT to £214,904 **including** VAT (works) on Contracts Finder
 - (d) £214,904 **including** VAT and above (goods and services) on Contracts Finder and OJEU
 - (e) £5,372,609 **including** VAT and above (works) on Contracts Finder and OJEU
- 12.2 The Council does not specifically require that procurements are published below the threshold of £50,000 however if the procurement is published, it must also be published on Contracts Finder.

12.3 Award Notices for all procurements over the threshold of £25,000 must be published on Contracts Finder whether the procurement was advertised or not.

13. CATEGORIES AND FORM OF CONTRACT

13.1 All Contracts will be categorised by estimated value into low, medium or high value and this categorisation will determine which of the following sections of these Contract Procedure Rules are followed.

13.2 All Contracts including Contracts for Schedule 3 Services “light touch regime” shall comply with the legal obligations of transparency (Rules 8.3 and 8.4), equal treatment (Rule 27), safeguarding (Rule 28) and data protection (Rule 23) (where appropriate). The procurement procedure undertaken will be determined by the Proper Officer as part of the pre-procurement process but must at all times:

13.2.1 be properly documented;

13.2.2 all time limits imposed on service providers are reasonable and proportionate.

13.3 Every high and medium value Contract will:

13.3.1 Unless otherwise agreed, be in writing and signed by an Officer approved to do so in line with the thresholds contained within the Financial Regulations;

13.3.2 Contain a Specification of the goods, materials and works or services to be delivered or undertaken;

13.3.3 Contain details of the price to be paid to include details of any discounts or deductions;

13.3.4 Contain provisions whereby the Council shall discharge valid undisputed invoices within 30 days and a condition requiring suppliers and contractors to include similar provisions in their contracts where they sub-contract the goods, works or services;

13.3.5 Contain details of the timing of the Contract;

13.3.6 Provide for the following remedies in the event of late delivery, non-delivery or poor performance (default) by the Contractor of the contract goods, materials or services:

(a) termination of the contract by the Council either wholly or to the extent of such default;

(b) the right for the Council to purchase alternative goods, materials or services of the same or similar description, to make good the default or, in the case of termination, the goods, materials or services remaining to be delivered or carried out;

- (c) state that the amount by which the cost of purchasing other goods, materials or services exceed the amount which would have been payable to the contractor shall be recoverable from the contractor.

13.3.7 Provide that the law governing the contract shall be the law of England;

13.3.8 Provide that in the event of dispute between the parties which is incapable of resolution by negotiation shall be referred to a single arbitrator to be agreed by the parties, or in default thereof, to be nominated by the President for the time being of The Law Society or such appropriate body;

13.3.9 Contain provisions enabling the Council to terminate a contract where:

- (a) A contract has been subject to substantial modification which would have required a new procurement process;
- (b) A contractor should have been excluded from the procurement procedure for pursuant to Regulation 57(1) (Mandatory Exclusions) of the Regulations;
- (c) A serious infringement of the obligations under the Regulations, EU Directive or Treaties that has been declared by the Court of Justice of the European Union the result of which the contract should not have been awarded to the contractor.

13.4 The Proper Officer shall ensure that the Contract letting process allows sufficient time for the legal documentation to be completed prior to the commencement of the Contract.

13.5 In exceptional circumstances where it is essential that work starts before formal Contract signing, it may be possible for a letter of intent to be submitted but this must only be done in consultation with the Council's Monitoring Officer and Section 151 Officer. A letter of intent may be construed as a formal Contract if not drafted appropriately. Letters of intent are only appropriate for works or services to the extent required to carry out emergency works or services where there are implications which may result in death, injury or damage to Council property or to the Council's reputation if the works or services are not executed accordingly.

13.6 The practice of split ordering to obviate the need to obtain quotations and Tenders is forbidden however the Council shall where appropriate divide contracts into lots as a means of attracting SME's to bid for the contracts.

14. CODE OF PRACTICE FOR LOW VALUE CONTRACTS UP TO £10,000 excluding VAT (Purchase Order).

14.1 Purchase Orders will only be placed in accordance with these Contract Procedure Rules.

14.2 Orders for works, goods or services shall be in accordance with the Council's current procedures issued by the Section 151 Officer.

- 14.3 Purchase Orders will be issued for all works, goods or services to be supplied to the Council except:
- supplies of public utility services;
 - periodical payments, such as rent or rates;
 - petty cash purchases;
 - where in the opinion of the Proper Officer a failure by the contractor could result in an adverse impact on Council functions in such case a formal written contract will be let;
 - other exceptions approved specifically in advance by the Monitoring Officer or Section 151 Officer.
- 14.4 Purchase Orders will be in a form designed or approved by the Section 151 Officer and be approved only by employees authorised in line with the Council's Financial Regulations.
- 14.5 Purchase Orders will be completed in sufficient detail to identify accurately the materials, works or services required including quantities wherever possible and will specify where applicable the quotation, Contract or other Agreement, the price agreed and the approved budget expenditure code against which costs will be charged.
- 14.6 Any Council directions relating to central purchasing, standardisation of supplies to materials, etc., will be complied with and in accordance with the Council's Procurement Strategy.
- 14.7 In respect of Contracts estimated in value to be up to £10,000 **excluding** VAT, then quotations from at least one supplier is required, (although it is advisable to obtain at least two written quotes).
- 14.8 Purchase Orders over the sum of £5,000 must be published on the Council's website pursuant to the Local Government Transparency Code 2015
- 15. MEDIUM VALUE CONTRACTS - £10,000 UP TO £50,000 excluding VAT.**
- 15.1 Contracts with an estimated value £10,000 up to £50,000 **excluding** VAT will be deemed medium value Contracts.
- 15.2 The Proper Officer will:
- 15.2.1 invite written quotations from at least three Contractors; or
 - 15.2.2 call off under a Framework Agreement available to the Council.
- 15.3. If there are not three Contractors whom the Proper Officer has been able to obtain quotations from; or
- 15.4 if there is no Framework Agreement available for the Council to call off under or;
- 15.5. where works, supplies or services are of a particularly specialist nature and are only available from one supplier;

it is permissible to use a supplier identified by the Proper Officer provided that they are satisfied that the price payable is reasonable and offer Best Value to the Council and is pre-quoted in writing.

- 15.6. where regular purchases or commission of works, supplies or services from the same supplier are likely to be made and it is considered inappropriate by the Proper Officer to obtain competitive quotations for each individual supply, consideration must be given to procuring on the basis of a one year agreement, with a rate card or similar provided based on typical examples of the goods or services to be required.
- 15.7 Any quotations must be considered and accepted in accordance with Rule 2 as to Best Value above.
- 15.8 Sufficient time will be allowed for written quotations to be submitted.
- 15.9 A written record must be made of Contractors invited to quote but who failed to do so.
- 15.10 When it is not possible to procure goods, works or services pursuant to Rules 15.2.1 – 15.6 an open tendering process shall be undertaken and where the procurement is over the threshold of £25,000 must be published on Contracts Finder. At these three written quotes or tenders shall be sought.
- 15.11 Where the nature of the goods or services being procured are clear and simple to specify, one-off in nature and of low risk, it is permissible, after consultation with the Monitoring Officer and Section 151 Officer to utilise a Purchase Order rather than a full written contract.

16. HIGH VALUE CONTRACTS – £50,000 excluding VAT AND OVER

16.1 General.

- 16.1.1 Contracts estimated to have a value of £50,000 excluding VAT and over will be deemed high value Contracts. The Procuring Officer must enlist the assistance of the Essex Procurement Partnership who will provide support and guidance through the procurement exercise.
- 16.1.2 The Proper Officer will be responsible for exercising their judgement as to the sub-division of work into lots with a view to attracting SMEs to bid for the contract. If the procurement is not sub-divided into lots the Proper Officer is responsible for providing reasons for their decision not to sub-divide the contract which must be incorporated into the tender documents or be published in a report. If over the EU Threshold such report must be submitted to the Cabinet Office pursuant to Regulation 84 of the Regulations.
- 16.1.3 The Proper Officer will invite at least three written Tenders in accordance with one of the methods described in Rules 16.2 and 16.3 below, in accordance with the decision of the Council to let the contract.

16.1.4 Proper Officers will ensure that sufficient time is allowed for the preparation of Tenders, having regard to the value and complexity of the subject of the Contract. This will normally be not less than 28 days. Invitations to Tender will be sent out by the Proper Officer who will record:

- (i) the name and nature of the Contract;
- (ii) the number of Tender invitations;
- (iii) the closing date and time for receipt of Tenders.

16.1.5 Tender documentation in accordance with Rules 16.1.3 and 16.1.4 above should be sent to all Contractors who express an interest in bidding for the contract.

16.1.6 Upon finalisation of the Contract, a Purchase Order must be raised, however the Contract supersedes the Council's usual Terms and Conditions attached to the Purchase Order.

16.2 Direct Award Framework Agreement (compiled with or by another Authority, Consortium of Authorities or Central Government)

16.2.1 These Contract Procedure Rules recognise that with a view to improving the efficiency and effectiveness of procurement and in order to obtain the maximum benefits from procurement, collaborative working arrangements are essential as provided for within the Council's Procurement Strategy;

16.2.2 Prior to selecting a Contractor from a Framework agreement which allows for a Direct Award, the Proper Officer must be satisfied that the Contractors' current financial standing and technical capacity to complete the Contract satisfactorily has been appraised by another Authority, Consortium of Authorities or Central Government before the Contractor has been placed on the Framework Agreement and such Agreement is reviewed regularly (preferably at least every 3 years).

16.3 Competitive Framework Agreements Or Open Tendering

16.3.1 Open tendering is generally desirable only where the Council does not have access to a suitable Framework Agreement. Where a competition within a Framework Agreement is being used, the requirements of that Framework Agreement shall be complied with.

16.3.2 Pursuant to Regulation 22 the Council has switched to fully electronic communication in accordance with Rule 34 below unless Regulations 22(3) or (5) of the Public Contracts Regulations 2015 apply. Tender documents shall be made available electronically for Tenderers at the time of publication.

16.3.3 For below EU Threshold contracts the Proper Officer will invite Tenders by giving at least ten days public notice on Contracts Finder and the procurement tool in use by the Essex Procurement Partnership. The advertisement will include:

- (i) The proposed Contract;

- (ii) All the criteria which the Council intends to apply to the award, where possible in descending order of importance;
- (iii) Where further details may be obtained and where applications should be submitted;
- (iv) The last date and time when Tenders will be received
- (v) Any other requirements to publish on Contracts Finder

16.3.4 The Proper Officer must be satisfied with the financial standing and technical capability of the successful Contractor in accordance with Rules 16.3.4, 16.3.5 and 16.3.6 above before any Contract is awarded subject to compliance with Regulations 107 to 111 of the Regulations.

16.4. **Submission of Tenders**

16.4.1 Tenders will be considered only if they are submitted on time and in accordance with the requirements set out in the Invitation To Tender. Typically this means submission on the Essex Procurement Partnership's procurement tool.

16.5. **Evaluation of Tenders and Correction of Errors**

16.5.1 Tenderers must complete all parts of the Tender documentation required to be completed. Any omissions will render a Tender null and void with no further consideration given.

16.5.2 Tender evaluation will be carried out by an evaluation panel. The Essex Procurement Partnership and the Proper Officer will ensure that Tenders are compared impartially and on the same criteria, with a view to securing the most economically advantageous Tender.

16.5.3 The Council shall exclude Tenderers where the Council has been made aware that a Tenderer is subject to the mandatory exclusion grounds pursuant to Regulation 57(1)-(4) of the Regulations provided such exclusion is proportionate to the aims the contract is seeking to achieve and the Tenderer has not provided sufficient evidence that the Council is satisfied that it has taken steps to remedy the wrong "self clean".

16.5.4 The Council may exclude Tenderers where the Council has been made aware that a Tenderer is subject to the discretionary exclusion grounds pursuant to Regulation 57(8) of the Regulations where the Council is satisfied that any of the situations in which the Tenderer was involved as set out in Regulation 57(8) would affect the ability of the Tenderer to fulfil its obligations under the Contract if it were awarded to the Tenderer.

16.5.5 All Tenders containing figures, including Bills of Quantities, shall be checked for arithmetical accuracy.

16.5.6 All tender evaluation spreadsheets are to be checked for build (arithmetic and logic) by a person independent of the preparer or Proper Officer, and then to have the formulae cells locked down (password protected) prior to providing it to the evaluators.

16.5.7 The Tenders received will be evaluated to ascertain the most economically advantageous tender (or lowest tender depending on the basis of evaluation set out in the tender documentation) paying particular attention to rates and prices, percentage adjustments, balancing items, ambiguities, qualifications and alternative offers.

16.5.8 If a Tender is found to contain ambiguities or arithmetical errors, the Tender total will be corrected and the Tenderer notified accordingly. If, in the Proper Officer's opinion, any tendered rate is considered unrealistic, the Tenderer may be given the opportunity of confirming the rate or withdrawing the Tender. In order to preserve parity of tendering, amendment to Tender rates after submission of Tenders will not be permitted. If the Tenderer withdraws or the corrected Tender is no longer the most economically advantageous, the next most economically advantageous Tender will be examined and dealt with in the same way.

16.5.9 There will be no changes in the Specification in any dealings with Tenderers after Tenders have been submitted. Where post-Tender clarifications are necessarily undertaken, no Tenderer will be given an opportunity to reconsider a Tender on the original Specification unless similar opportunities are given to all Tenderers.

16.5.10 Any changes which affect the original tendered sum(s) will be entered in the Tenders Register, which will be confirmed as an accurate record by the Proper Officer and the evaluation panel.

16.5.11 The Proper Officer will compile a report on the evaluation of the Tenders contrasting the tendered amounts with the original estimate containing the information contained in Rule 16.5.9. This report will form the basis for acceptance of the preferred Tender.

16.6 Acceptance of Tenders

16.6.1 The Proper Officer may accept the most economically advantageous tender received on behalf of the Council provided that:

- (i) It is within the approved estimate;
- (ii) The appropriate authority has been given by Members
- (iii) It is within their delegated authority set out in the Council's Financial Regulations

In all cases, the Proper Officer will cause a written record to be made recording the preferred Tenderer as part of the evaluation process, along with the names of all Officers and Members involved in the decision making process.

16.6.2 The successful Tenderer will be notified promptly following the decision to accept its offer.

16.6.3 Where the most economically advantageous tender is outside the approved estimate provision the Proper Officer will either:

- (i) Write to all Tenderers explaining the situation and giving them the opportunity to lower their Tenders to within the approved estimate; or
- (ii) Request a Supplementary Estimate following the requirements set out in the Council's Financial Regulations; or
- (iii) Report to the Cabinet requesting authority to revise the Specification and seek new Tenders.

16.6.4 Once the Contract has been let, all unsuccessful Tenderers will be notified of the results.

16.6.5 Whilst a letter of acceptance establishes a legally binding Contract a formal written Contract signed in accordance with the Council's Financial Regulations is nonetheless required under these Contract Procedure Rules.

16.6.6 For Contractors who did not tender, a questionnaire may be sent to them inviting them to give reasons.

17. SUB-CONTRACTORS TO MAIN CONTRACTORS.

17.1 The Tender will require contractors or suppliers to indicate their proposed sub-contracting arrangements.

17.2 The contract to the contractor shall provide that contractors or suppliers are required to replace sub-contractors to whom the mandatory exclusion grounds pursuant to Regulation 57(1) apply.

17.3 The Tender will provide that the consent of the Council is required if the main Contractor intends to sub-contract.

18. LIQUIDATED DAMAGES.

18.1 Where the estimated amount of a Contract exceeds £50,000 **excluding** VAT, provision may be made in the Contract for payment of liquidated damages or other compensation to be paid by the Contractor where the Contractor fails to complete the Contract within the time specified or fails to perform the contract in accordance with the Contract terms.

18.2 The methodology for calculating the amount of liquidated damages will be determined by the Proper Officer and set out in the tender documents.

19. PERFORMANCE BONDS.

19.1 Where the estimated amount of a Contract exceeds £50,000 **excluding** VAT in relation to Contracts for works and services the Proper Officer may require the Contractor to provide a Bond or other security. Any decision not to require a Bond will be recorded in writing.

19.2 If a Bond or other security, for example, retention, is deemed necessary, the amount will be at the discretion of the Proper Officer but will usually be at least 5% of the Contract sum

20. INSURANCE

- 20.1 Prior to letting a Contract, the Proper Officer will ensure that the Contractor holds adequate Insurance policies to include, Employers Liability Insurance and where appropriate, Professional Indemnity Insurance and Public Liability Insurance, which will protect the Council's interests and cover all potential losses that may arise. An adequate level of Insurance will be determined in consultation with the Council's Insurance Team.
- 20.2. For Contracts of long duration, the Proper Officer will make and record such checks, in consultation with the Insurance Team, as are necessary to ensure that the Contractor's Insurance policies are still in force.

21. AVOIDANCE OF CORRUPT OR RESTRICTIVE PRACTICES

- 21.1 All Contractors submitting a Tender will sign a Declaration that:
- (i) They will not communicate the amount of the proposed Tender to anyone except the Council;
 - (ii) They will not receive details of a proposed Tender from any other Contractor.
 - (iii) They will not adjust the amount of a proposed Tender as a result of an arrangement with any person other than the Council;
 - (iv) They will not agree with any other person:
 - (a) The amount of the proposed Tender
 - (b) Not to tender.
- 21.2 If the Contractor breaches these conditions, the Proper Officer concerned will be informed so that relevant action can be taken to include reporting to the Council.

22. ASSIGNMENT

All Contracts will include provision preventing assignment of Contracts except with the written permission of the Council.

23. FREEDOM OF INFORMATION AND DATA PROTECTION

- 23.1. All Contracts will include a provision:
- 23.1.1. That the Contractor shall comply with the provisions of the Data Protection Act 2018 and General Data Protection Regulations 2016 (as amended from time to time) and shall indemnify the Council against any loss, damage or expenses which may be incurred as a result of any breach;
- 23.1.2. That the Contractor will follow all procedures and controls and safeguards as determined by the Council if processing personal information in accordance with the Contract that is subject to the provisions of the Data Protection Act 2018 and General Data Protection Regulations 2016 (as amended from time to time);

23.1.3 That the Contractor will consent to disclosure of any information contained in the Contract where such disclosure is required under the Freedom of Information Act 2000 (as amended) or such other statute having like effect or to the Council's Auditors, H M Inspector of Taxes, H M Custom and Excise and any other person or bodies having a right, duty or obligation to know the Council's business.

24. COUNCIL'S WHISTLE BLOWING POLICY

24.1. The Contractor's attention should be drawn to the Council's Whistle Blowing Policy which can be found on the Council's website which is intended to encourage and enable Council Staff as well as staff of suppliers and contractors or organisations providing goods and services to the Council to raise serious concerns with the Council.

24.2 The Whistle Blowing Policy provides a mechanism should the Supplier have concerns that the Council:

- (i) has acted unlawfully;
- (ii) is or has provided a service falling below established standards;
- (iii) committed an act of impropriety;
- (iv) put the health and safety of people at risk.

25. CANCELLATION AND DETERMINATION

25.1 All Contracts will include provision stating that the Council may cancel the Contract and recover from the Contractor any loss arising from the cancellation, if it is proved that the Contractor or any person employed by him has received or offered any consideration other than that properly due under the Contract.

25.2 In the event of the Proper Officer considering it necessary to determine a Contract, they will discuss the proposed course of action with the Council's Monitoring Officer and will submit a report to Cabinet.

26. COMPLIANCE WITH BRITISH STANDARDS AND QUALITY OF WORK, GOODS, ETC

26.1 All Contracts will require that all works carried out or goods supplied conform to the current British Standard Specification or Code of Practice or European equivalent, if such exists.

26.2 Reference will be made in Contract documentation to specific British Standards or European Standards as appropriate to more clearly define the scope of the Contract.

26.3 Arrangements must be made to check work done and supplies received and Contractors must be notified of defects immediately in writing. Payment should not be made for defective works or supplies.

- 26.4 When preparing specifications care should be taken to ensure that such specification is not so prescriptive to lead any potential Tenderer to the view that the Council has a preference for a particular supplier.

27. EQUALITY

All contracts will require the Contractor to positively promote equality and to comply with the Council's equality policies including contributing to the Council fulfilling its legal obligations under equality legislation.

28. SAFEGUARDING CHILDREN AND VULNERABLE ADULTS

- 28.1 The Council has a statutory obligation to co-operate with Essex County Council in discharging its duties in relation to children's services and to promote the well-being of children and young people. Essex County Council is also the lead agency for the protection of vulnerable adults. The Council has adopted a Safeguarding Policy for Children, Young People and Vulnerable Adults and in procuring services the Council shall ensure that contractors and suppliers are aware of the Council's statutory obligations and where appropriate will be subject to DBS checks. When procuring services the Council shall:

- 28.1.1. ensure that all contractors and suppliers appointed by the Council are made aware of the Council's safeguarding policy and
- 28.1.2 that those contractors or suppliers providing "regulated activities" or have been identified as providing direct services to children or vulnerable adults where appropriate are DBS checked;
- 28.1.3 all procurement processes specifically identify whether services are providing "regulated activities" or services direct to children and/or vulnerable adults and if so DBS checks are undertaken in relation to staff employed by contractors or suppliers where appropriate.

29. ARBITRATION/ALTERATIVE DISPUTE RESOLUTION

- 29.1 The contract will provide that the law governing the contract shall be the law of England.
- 29.2. The contract will provide that any dispute between the Council and the Contractor which is incapable of resolution by negotiation shall be referred to a single arbitrator to be agreed by the Council and the Contractor, or in default thereof to be nominated by the President for the time being of The Law Society or such appropriate body.

30. APPOINTMENT OF CONSULTANTS.

- 30.1 Consultants will only be used if, in the opinion of the Proper Officer the work cannot be handled by Council Officers.

- 30.2 Appointment of Consultants shall be made having regard to Rule 2 as to Best Value and the financial thresholds contained in Rules 4.1 and 4.2 above and compliance with the relevant Rules in relation to those financial thresholds.
- 30.3 The appropriate Professional Institution or Trade Association will be contacted to verify a Consultant's qualifications prior to their engagement.
- 30.4 A note will be placed on each Project's file stating:
- (i) Why it was necessary to use an external Consultant;
 - (ii) The brief for the project;
 - (iii) The brief for selecting the Consultant and how this was met;
 - (iv) Those Officers involved in the selection process
- 30.5 Where Consultants are employed by the Council, the Proper Officer will ensure that the requirements of Rule 30.6 below are written into the terms of their engagement and will verify that this has occurred.
- 30.6 Any Consultant who is to be responsible for supervising any stage of the Contract process on behalf of the Council will:
- (i) Comply in all respects with the Council's Contract Procedure Rules and Financial Procedure Rules and Regulations, Council Project Management Handbook and Council's Procurement Strategy;
 - (ii) Hold, where appropriate an adequate level of Professional Indemnity Insurance to cover any potential loss that may arise;
 - (iii) Produce all records maintained by them relating to the Contract to the Proper Officer whenever requested during the currency of the Contract;
 - (iv) Pass all relevant records to the Proper Officer on completion of the Contract;
 - (v) Report to the Proper Officer when requested to do so during the currency of the Contract.
- 30.7 For all types of Consultants, the Proper Officer will:
- (i) Ensure that consultancies can be properly funded, within an approved budget and expenditure code;
 - (ii) Consider the kind of Contract and how payments will be made;
 - (iii) Draw up a written Contract with any Consultants employed;
 - (iv) Appoint a project Officer to manage and monitor each consultancy project in accordance with the Council's Project Management Handbook;
 - (v) Ensure that all documentation relating to a proposed consultancy is drawn up in consultation with the Council's Monitoring Officer;
 - (vi) Comply with the Council's Project Management Handbook.
- 30.8 When grants are awarded to outside bodies for feasibility studies, the Organisation concerned will be responsible for appointing and monitoring the Consultants. Grant funded projects agreed by the Council should proceed without variation to the brief which would result in the Council incurring extra costs.

31. EXCEPTIONS.

31.1 In rare circumstances Contract Procedure Rules relating to Contracts will not apply if:

- (i) The Proper Officer is satisfied that there is no genuine competition. For example, where:
 - (a) The goods or materials are proprietary articles or are sold only at a fixed price and no satisfactory alternative is available;
 - (b) The price of goods, materials or services is wholly controlled by Trade organisations or Government order;
 - (c) The goods, materials or services are required for repairing, updating or servicing existing specialist plant or equipment;
 - (d) The work is to be carried out by public service providers, e.g. gas, water, electricity.
- (ii) The proposed Contract for the execution of work forms part of a serial programme, the terms having been negotiated with the Contractor on the basis of the rates and prices contained in an initial Contract awarded competitively following an invitation to tender in accordance with the provisions of Rule 16 above.
- (iii) The goods, materials or services are required due to an emergency;
 - (a) The Proper Officer can take action pursuant to Rule 3.7 above;
 - (b) Emergency action must be taken only following consultation with the Monitoring Officer and Section 151 Officer whose views must be sought and obtained in writing;
 - (c) It is the responsibility of the Proper Officer to be satisfied that the circumstances are sufficient to be classified as an emergency pursuant to these Contract Procedure Rules.
- (ii) The Proper Officer considers that significant financial loss or damage to the image or reputation of the Council may be incurred if the letting of the Contract is delayed.
- (iii) The value of the contract is below the Low Threshold and it is highly likely that any financial savings and quality changes would be marginal but disruption to services through change of provider would be significant.

In all cases the Proper Officer should be satisfied that the Council is achieving Best Value even when procuring goods, materials or services using an exemption under these Contract Procedure Rules.

In all cases the Proper Officer shall determine when an exception applies in consultation with the Monitoring Officer or Section 151 Officer providing details as follows:

- (i) Description of procurement
- (ii) Date of consideration
- (iii) Proper officers name and role
- (iv) Reason for applying the exception
- (v) A statement that the Proper Officer considers that the exception applies
- (vi) Approval/non-approval by the Monitoring Officer or Section 151 Officer
- (vii) Date of Approval/non-approval

The Procurement Manager shall be responsible for retaining a record of all exceptions.

- 31.2 Where the Council carries out work using a standard form of Contract (e.g. Institution of Civil Engineers Conditions of Contract) procedural requirements may differ slightly to those laid down in these Contract Procedure Rules.
- 31.3 The Council may directly award a contract to another public body provided the conditions referred to in Regulation 12 of the Regulations are met.
- 31.4. The Council may enter into a shared services arrangement or delegate functions and services pursuant to the Local Government Act 1972 with or to another public body.

32. PREVENTION OF BRIBERY

- 32.1 Every Contract must include a clause allowing the Council to cancel the Contract and to recover from the Contractor the amount of any loss resulting from such cancellation if the contractor has:
 - (a) directly or indirectly offered, promised or given any person working for or engaged by the Council a financial or other advantage to:
 - i. induce that person to perform improperly a relevant function or activity; or
 - ii. reward that person for improper performance of a relevant function or activity;
 - (b) directly or indirectly requests or agrees to receive or accept any financial or other advantage as an inducement or a reward for improper performance of a relevant function or activity in connection with the contract
 - (c) commits any offence:
 - i. under the Bribery Act 2010;
 - ii. under legislation creating offences concerning fraudulent acts;
 - iii. at common law concerning fraudulent acts relating to the Contract or any other contract with the Council; or
 - iv. defrauding, attempting to defraud or conspiring to defraud the Council

33. PARTNERSHIPS

- 33.1 For the avoidance of doubt when the Council is involved in a partnership where there is consideration payable to the Council or on behalf of the Council then the Council Contract Procedure Rules will apply as for any other Contract. However the Council may waive these Contract Procedure Rules where compliance could jeopardise the Council's corporate objectives and priorities as identified in the Council's Corporate Plan.
- 33.2 Where the Council on its own is involved in a joint working arrangement with a Contractor (e.g. IT Contract) these Contract Procedure Rules apply but to facilitate partnership negotiations and openness the process prior to tender may provide for flexibility subject to Council's approval (2 stage approach) and in cross reference with the Council's Partnership Strategy.
- 33.3 No waiver of the Council's Contract Procedure Rules will be made in relation to Partnerships other than by resolution from Cabinet.
- 33.4 The Council is subject to increasing expectations of probity, transparency and scrutiny. The Council, its officers and elected members have to comply with a wide range of statutory provisions and non-statutory requirements (eg codes of practice etc). The Council expects the same of its partners whether they are from the voluntary or business sectors. Accordingly all partner organisations are expected to meet the same levels of governance standards as the Council itself such as employment of staff who work with the utmost integrity and do their best for the people they serve and Partners who ensure that public funds are used to the best effect and never misused and to understand and act in accordance with the Nolan Principles.

34. FRAUD & CORRUPTION

- 34.1 The Council is committed to an effective anti-fraud and corruption strategy which is designed to:
- (i) encourage prevention;
 - (ii) facilitate detection;
 - (iii) provide prompt investigation.
- 34.2 The Council's anti-fraud and corruption procedures are designed to frustrate any attempted fraudulent or corrupt act and cover:
- (i) values and commitment;
 - (ii) prevention;
 - (iii) detection and investigation;
 - (iv) training.
- 34.3 As the Council's affairs are open to scrutiny by a variety of external bodies and people including:
- (i) An external Auditor;
 - (ii) The Public via the Council's Complaints procedure;

- (iii) Local electors via the Annual Inspection of Accounts;
- (iv) The Business Community via the Annual business Consultation;
- (v) Her Majesty's Revenues & Customs;
- (vi) Dept for Works and Pensions.

34.4 The Council through its Internal or External Auditors may request information relating to the Contract pursuant to the provisions of Rule 34.3 above and Contracts entered into by the Council shall provide that contractors, suppliers or consultants shall provide the Council's Internal or External Auditors with the information forthwith upon request.

ⁱ Public Contracts Regulations 2015

ⁱⁱ Threshold set as at January 2024

ⁱⁱⁱ Threshold set as at January 2024

^{iv} Threshold set as at January 2024

^v Threshold set as at January 2024