

DERBYSHIRE COUNTY COUNCIL

CABINET

25 March 2014

Report of the Director of Finance

**REVISION OF FINANCIAL REGULATIONS
(COUNCIL SERVICES)**

1 Purpose of the Report

To seek approval for the adoption of the revised financial regulations.

2 Information and Analysis

Minor changes were last made to the Council's financial regulations in 2009.

The introduction of SAP as the Council's core financial system has resulted in significant changes to financial procedures and processes. The current financial regulations do not reflect these changes; it was felt, therefore, that a detailed review and update of the regulations was needed to bring them into line with current working practices. There has been wide ranging consultation with Cabinet Members, Audit Committee, Strategic Directors, Audit Services, finance colleagues and other interested parties.

Many of the titles, references to policies and legislation referred to in the current regulations have changed and these have been updated, or removed where appropriate.

It was also felt that the regulations needed to be updated to reflect the way in which the Council works, particularly with the level of delegation afforded to officers by Members, albeit through defined limits and parameters.

The revised Financial Regulations are attached as Appendix 1.

Key changes

The key features of the revised regulations are:

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Procurement and awarding of contracts

The regulations relating to procurement matters have been significantly amended including changes in thresholds, evaluating for risk, increased requirement for transparency and the use of framework agreements. These changes will allow increased flexibility for officers whilst maintaining the delivery of value for money and accountability.

The revised procurement and award procedures have been broken down into 10 protocols, which can be found in Appendix A of the financial regulations. The new protocols highlight:

- the type of spend that they cover;
- the process that is required to deliver a compliant procurement;
- the minimum advertising requirements to conform to Council and legal requirements;
- the requirements of a contract between the council and a provider;
- how such a contract should be awarded;
- where the publication of the award shall take place;
- registration of the contract on a departmental contract database; and
- the requirements for inclusion on the SAP system to allow payment of the supplier and monitoring of the tender/contract process.

An overview of each of the protocols with working examples on how they should be applied is attached as supplementary guidance.

The new procurement and award procedures will be supported by further guidance and advice which will be made available on the Procurement Connection website on Dnet.

Ordering of goods and services

The distinction between 'routine and consumable items' and 'other than routine and consumable items' has been removed. It is felt that this would make the ordering of goods and services more straightforward and easier to understand.

The ordering process is also linked to the procurement and award procedures set out in Appendix A of the financial regulations. For example, if an order was placed for goods from an existing contract, the order limits for an officer would be set in the Department's scheme of delegation as approved by the Strategic Director. If a contract does not exist, then you would consult Appendix A of the regulations and apply the appropriate 'protocol'.

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Virement rules

The revised regulations will reflect the way in which departments manage their budgets, as we are increasingly using a 'bottom line' approach. We are recognising that Strategic Directors should be able to utilise the funds allocated to them in the most efficient effective way to deliver the policies and services established by Members. The new regulations are, therefore, allowing virements between budgets managed by the Strategic Director without the need for Member approval, albeit within certain parameters.

If there are movements between departments, then anything over £100,000 will need Cabinet approval.

Capital schemes

Currently, any scheme that was not included in the original programme for the year needs to be approved by Cabinet. The regulations have been amended so that new schemes below £100,000 can be approved by Cabco, unless they require additional funding from borrowing, in which case they must be approved by Cabinet.

Reporting Requirements

There are a number of reporting requirements within the current regulations that are considered impractical, onerous and add little value. We have removed these from the revised regulations. These include:

Quarterly reports for Cabinet on all virements

Half yearly report of write-offs submitted to Cabinet members

Other changes

1. Re-aligning the responsibility, and introduce consistency throughout the regulations, for certain functions such as the approvals mechanism in relation to changes in financial systems
2. Adopting a more uniform approach to reporting limits, aligning them with generally understood Cabco and Cabinet limits. For instance, this will remove the need for any additions to the Capital Programme to automatically need Cabinet approval.

The revised regulations will also need to be submitted to Council for approval. Once the regulations have been approved a series of training/briefing sessions will be undertaken to appraise staff of the changes. Accompanying these will be supplementary guidance/practitioners guides. There will also be support on Dnet, and

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Procurement Connection, the Council's procurement portal which provides staff with advice on procurement process.

It is recognised good practice to review the operation of new policies and procedures. The financial regulations have been substantially revised and will therefore be reviewed in 12 months time to ensure that they continue to be appropriate and effective.

3 Other Considerations

In preparing this report the relevance of the following factors has been considered: financial, legal, prevention of crime and disorder, equality and diversity, human resources, environmental, health, property and transport considerations.

4 Key Decision

No.

5 Background Papers

Files held by the Director of Finance.

6 Is it necessary to waive the call-in period?

No.

7 OFFICER'S RECOMMENDATIONS

That the revised financial regulations be endorsed and submitted to Council for approval.

PETER HANDFORD

Director of Finance

6 March 2014

FINANCIAL REGULATIONS

To: All Members and Employees

In any organisation it is essential to ensure sound financial administration. For Derbyshire County Council the Chief Executive has overall responsibility for management and control of all resources - finance, human resources issues and property as well as legal services and information technology.

The Director of Finance has legal responsibilities for the financial administration of the Council's affairs and for determining the procedures and systems (whether electronic or not) to achieve this.

The Director of Legal Services as Monitoring Officer has responsibilities for legal compliance/probity.

Financial Regulations and Procedures apply to all Members and employees and to all transactions.

There are separate regulations under the Derbyshire Scheme for Financing Schools.

Where supplementary rules are made subsequent to these Regulations, these will be published. It has not been possible to foresee every eventuality so, should any doubt arise, you should consult the Director of Finance. The Council Tax payers and citizens will expect everyone involved with the Council's affairs to treat the Council's resources with care and seek to obtain value for money - economy, efficiency and effectiveness - at all times.

The Regulations deal with the control of resources by Strategic Directors in their departments. The responsibilities of the Chief Executive, the Director of Finance and Strategic Directors are separately listed throughout the document.

It is important that all employees are familiar with the detail that applies to their daily role. The regulations relating to procurement matters have been significantly amended including changes in thresholds, evaluating for risk, increased requirement for transparency and the use of frameworks. These changes will allow increased flexibility for officers whilst maintaining the focus on delivery of value for money and accountability.

Anne Western
Leader of the Council

Kevin Gillott
Deputy Leader of the Council

Ian Stephenson
Chief Executive

Peter Handford
Director of Finance

Guide to Main Financial Constraints on Decision Making
(Must be read in conjunction with these Financial Regulations and any Guidance issued by the Director of Finance)

Awarding of Contracts

Contract Database

- A contract database for all contracts shall be maintained within each department and contracts above £50,000 shall be reported to the Director of Finance on a monthly basis.
- Contracts shall be awarded ensuring compliance with Public Procurement Regulations and these Financial Regulations.

Selection Process

- All contracts over £20,000 are required to be advertised on the Source Derbyshire website.
- Contracts for high risk services are required to be procured by a formal tender process.
- The use of non-DCC procured Frameworks requires the approval of the Director of Finance and where appropriate the Director of Legal Services and approval from Cabinet or Cabinet Member depending on the value of the Framework.
- The awarding of a contract to a provider considered the “Sole Supplier” of those goods/services shall require approval of the Director of Finance and Director of Legal Services.
- All tenders shall be sought utilising the approved eTendering system.

Procurement Values

- Above Official Journal of the European Union (OJEU) threshold limit (£172,514 equivalent to €207,000) under the Public Procurement Regulations - Formal Tender process - Cabinet approval for award.
- £20,000 to threshold limit (£172,514 equivalent to €207,000) under the Public Procurement Regulations - High Risk Formal Tender process - Cabinet Member approval for award.
- £20,000 to threshold limit (£172,514 equivalent to €207,000) under the Public Procurement Regulations - Low Risk Quotation process - Strategic Director approval for award.
- Up to £20,000 - Quotation process - Strategic Director approval for award.
- For all contracts, including works, the Council's approval procedures are based on the Public Procurement Regulations threshold for supplies and services of £172,514 (equivalent to €207,000). The threshold limit for advertising works contracts on OJEU is £4,322,012 (equivalent to €5,186,000).

Please note: OJEU threshold limits are refreshed every two years to reflect the Euro currency conversion. Changes to these limits will be maintained by the Corporate Procurement Team and can be found on the Procurement Connection website on Dnet.

Virement

- Of up to £100,000 between departments - may be authorised by the Strategic Directors (subject to parameters).
- Over the above limit - Cabinet approval required.
- All virements must be reported to the Director of Finance.

Carrying Forward of Underspent Budget Allocation

- All carry forward of underspends - requires Cabinet approval.

Write-off of Outstanding Debt

- Debts up to £3,000 - May be written off by the Strategic Director.
- Debts of £3,000 - £5000 - May be written off by Cabinet Member.
- Debts over £5,000 - May be written off by Cabinet.

Redundant Stock/Deficiencies

- Redundant Stock/Deficiencies up to £3,000 - May be written off by the Strategic Director.
- Redundant Stock/Deficiencies of £3,000 - £5000 - May be written off by Cabinet Member.
- Redundant Stock/Deficiencies over £5,000 - May be written off by Cabinet.

Authorisation of Grants to Voluntary Organisations

- Up to £100,000 Cabinet Member approval required.
- Above £100,000 Cabinet approval required.

Inventories

Items of furniture and equipment, including IT, plant and machinery and other movable assets, of a value above £250 must be recorded. Additionally all items deemed to be attractive, portable and desirable should be recorded and security marked.

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A INTRODUCTION

FINANCIAL REGULATIONS

- 1 To conduct its business efficiently a local authority needs to ensure that it has sound financial management policies in place and that they are strictly adhered to. Part of this process is the establishment of financial regulations, which set out the financial policies of the Council.
- 2 The County Council has produced this updated set of financial regulations, which reflects best practice and provides a practical source of advice to assist the Council to deliver its services.
- 3 The financial regulations provide clarity about the accountabilities of individuals - Cabinet Members, the Chief Executive, the Monitoring Officer, the Director of Finance and Strategic Directors. Each of the financial regulations sets out the overarching financial responsibilities.
- 4 Departments should link the financial regulations with other internal regulatory frameworks which form part of the Council's constitution - for example - contract standing orders, schemes of delegation, the role of both Audit and Improvement and Scrutiny Committees and Employee Codes of Conduct, which include specific issues such as hospitality and gifts. Departments may also wish to supplement this handbook with their own more detailed financial procedures, guidance and instructions. Each of these additional publications must be approved by the Director of Finance.

There is a separate version of financial regulations for Schools which is approved by Audit Committee.

- 5 Derbyshire County Council is one of the largest local authorities in England. It serves a population of 764,000 and an area of 255,071 hectares. It provides a diverse range of services to its residents. It works in partnership with 8 district councils, parish and town councils and a number of other organisations.

The Council provides the following services:

- | | |
|--|--|
| • learning and development | • public protection |
| • social care | • countryside services |
| • strategic planning | • environmental management |
| • economic development | • registration of births, deaths and marriages |
| • roads and highways | • coroners |
| • cultural and community including libraries, museums & archives | • emergency planning |
| • public transport facilities | • asset management |
| • public health | |

- 6 The Council's governance structure is laid down in its Constitution. This document contains the:

- Articles of the Constitution
- Responsibility for Functions
- Rules of Procedure

- Codes and Protocols
- Members' Allowances Scheme
- Management Structure

FINANCIAL PROCEDURES

7 Each section of the financial procedures follows the format set out below;

- why is this important?
 - this sets the context for the financial procedures.
- key controls
 - this explains the key internal controls which set the framework for ensuring financial regulations are operating effectively.
- responsibilities of the Chief Executive, Director of Finance, and Monitoring Officer.
- responsibilities of Strategic Directors.
 - these last two sections clarify the responsibilities of operational managers in relation to financial management. This is distinct from the role of finance employees. Strategic Directors are, of course, free to delegate functions within their departments as set out in their Scheme of Delegation, in which case the responsibilities as stated apply to their managers.

B STATUS OF FINANCIAL REGULATIONS

- 1 Financial regulations provide the framework for managing the Council's financial affairs. They apply to every Member and Officer of the Council and anyone acting on behalf of the Council. As Financial Regulations are part of the constitution any change must be agreed by Council after being reported to Audit Committee.
- 2 The regulations identify the financial responsibilities of the Council, Cabinet, Audit Committee, Improvement and Scrutiny Committees, the Chief Executive, the Monitoring Officer, the Director of Finance and Strategic Directors. Cabinet Members and Strategic Directors should maintain a written record where these responsibilities have been delegated to their employees including devolved employees. Where responsibilities have been delegated or devolved to other responsible officers, such as governors, references to the Strategic Director in the regulations should be read as referring to them.
- 3 All Members and Officers have a general responsibility for taking reasonable action to provide for the security of the assets under their control, and for ensuring that the use of all Council resources is legal, properly authorised and provides value for money.
- 4 The Council's Audit Committee is responsible for ensuring a continuous review of the financial regulations and for advising the Cabinet and Council of any additions or changes necessary. The Director of Finance is responsible for reporting, where appropriate, any breaches of the financial regulations to the Council and/or to the Cabinet Members.
- 5 The Council's detailed financial procedures setting out how the regulations will be implemented are contained in the Appendices to the Financial Regulations.
- 6 Strategic Directors are responsible for ensuring that all employees in their Departments are aware of their responsibilities according to the financial regulations and other internal regulatory documents and comply with them.
- 7 The Director of Finance is responsible for issuing advice and guidance to underpin the financial regulations which Members, Officers and others acting on behalf of the Council are required to follow.
- 8 Throughout this document all references to authorisation/signatories apply to both hardcopy and electronic records. A digital signature/authorisation carries no less weight and imposes no less responsibility on the authorising officer than a handwritten signature. Designated authorising officers must ensure that they maintain the security of their personal user identity and password details as these identifiers will be taken as the equivalent of a personal, handwritten signature for the purposes of authorisation.

Employees are reminded that, under the Code of Conduct for Employees, orders and contracts must be awarded on merit and in accordance with Financial Regulations and Standing orders in relation to contracts. Breaches of these requirements must be reported to the Head of Audit Services and may result in action being taken under the Council's disciplinary procedures.

C FINANCIAL REGULATIONS FOR DERBYSHIRE COUNTY COUNCIL

C(1) FINANCIAL REGULATION 1 - FINANCIAL MANAGEMENT & CONTROL

Overview of financial accountabilities in relation to:

The Council

- 1 The Council is responsible for adopting the Council's Constitution and Code of Conduct and for determining the budget and policy framework within which the Cabinet operates. It is also responsible for setting and monitoring compliance with the Council's overall framework of accountability and control. The framework is set out in a written Constitution. Together with the Cabinet, the Council is responsible for monitoring compliance with policies and Cabinet decisions.

The Cabinet

- 2 The Cabinet is responsible for proposing to the Council the policy framework and budget, for delivering services and discharging functions in accordance with the policy framework and budget.
- 3 The extent to which decisions of the Cabinet can be delegated is set out within the body of these regulations. Joint Committees or responsible Cabinet Members have authority to decide certain matters.
- 4 Together with the Council, the Cabinet is responsible for monitoring compliance with policies, Cabinet decisions and the framework of accountability and control.

Committees

Improvement and Scrutiny Committees

- 5 The Council has Improvement and Scrutiny Committees whose role is to scrutinise Cabinet or individual decisions before or after they have been implemented. These Committees are also responsible for making recommendations on future policy options and reviewing the general policy and service delivery of the Council.
- 6 The Improvement and Scrutiny Committees have a right to be involved in the budgetary process of the Council.

Audit Committee

- 7 The County Council has an Audit Committee, part of whose role is to independently contribute to the Council's overall process for ensuring that effective internal control systems are adequately maintained.

Audit Matters

- 8 The County Council's Auditors, both Internal and External act in an independent advisory capacity and report to the Audit Committee, Cabinet and Council. The Audit Committee have rights of access to obtain all the information they consider necessary and to consult directly with internal and external auditors. The Audit

Committee is responsible for reviewing the external auditor's statutory report and the Head of Internal Audit's annual report.

Standards Committee

- 9 The Standards Committee is responsible for promoting and maintaining high standards of conduct amongst Councillors. In particular, it has responsibility for advising on the adoption of the Code of Conduct, for its operation and its updating.

Other Committees

- 10 Regulatory functions such as planning and licensing together with the administration of the County Council's Pensions Fund are not the responsibility of the Cabinet and are exercised through committees which report to the Council.

Officers

- 11 It is the duty of all Officers of the County Council to serve all Members of the Council equally.

The Statutory Officers

Chief Executive

- 12 The Chief Executive is responsible for the strategic management of the Council as a whole. He/she must report to and provide information for the Council, the Cabinet, the Improvement and Scrutiny Committees and other committees. He/she is responsible for establishing a framework for management direction, style and standards and for monitoring the performance of the organisation.

Monitoring Officer

- 13 The Director of Legal Services, in the capacity of Monitoring Officer, is responsible for promoting and maintaining high standards of conduct and therefore provides support to the Standards Committee. The Monitoring Officer is also responsible for reporting any breaches of the law to the Council and the Cabinet.

Scrutiny Officer

- 14 The Scrutiny Officer is responsible for administering the Council's Improvement and Scrutiny Committees and providing support to these Committees and the Members of them. In addition, the Scrutiny Officer provides support and guidance to:

- (a) Members of the Council,
- (b) Members of the Executive of the Council, and
- (c) Officers of the Council,

in relation to the functions of the Council's Improvement and Scrutiny Committees.

The Director of Finance

- 15 The Director of Finance has statutory duties in relation to the financial administration and stewardship of the Council. This statutory responsibility cannot be overridden. The statutory duties arise from the:

- **Local Government Act 1972, Section 115 Legal responsibilities of Officers**

Every officer employed by a local authority, whether under this Act or any other enactment, shall at such times during the continuance of his office or within three months after ceasing to hold it, and in such a manner as the local authority direct, make out and deliver to the Council, or in accordance with their directions, a true account in writing of all money and property committed to his charge, and of his receipts and payments, with vouchers and other documents and records supporting the entries therein, and a list of persons from whom or to whom money is due in connection with this office, showing the amount due from or to each.

Every such officer shall pay all money due from him to the proper officer of the local authority or in accordance with their directions.

- **Local Government Finance Act 1988 - Section 114**

The Director of Finance is also the responsible officer under Section 114 of the Local Government Finance Act 1988 for reporting to Council if the Council: -

- (a) has made or is about to make a decision which involves or would involve the Council incurring expenditure which is unlawful,
- (b) has taken or is about to take a course of action which, if pursued to its conclusion, would be unlawful and likely to cause a loss or deficiency on the part of the Council, or
- (c) is about to enter an item of account the entry of which is unlawful.

In addition, the Director of Finance is under a duty to report to Council if it appears to him that the expenditure of the Council incurred (including expenditure it proposes to incur) in a financial year is likely to exceed the resources (including sums borrowed) available to it to meet that expenditure.

- **Section 117, Local Government Act 1972 Disclosure by Officers of Interest in Contracts**

Employees should be aware of the provisions of Section 117(1) of the Local Government Act 1972, which provides that "if it comes to the knowledge of an officer employed whether under this Act or any other enactment by a local authority that a contract in which he/she has any pecuniary interest whether direct or indirect (not being a contract to which himself is a party), has been or is proposed to be entered into by the authority or any committee thereof, he/she shall as soon as practicable give notice in writing to the authority of the fact that is interested therein."

An indirect pecuniary interest for these purposes is as follows: -

- (a) if the officer or any nominee of the officer is a member of a Company or other body with which the contract was or is proposed to be made,
- (b) if the officer is a partner or is in the employment of a person with whom the contract is or is proposed to be made,
- (c) in the case of married persons living together the interest of one spouse, if known to the other, is deemed to be the interest of the other spouse.

Section 117(2) states that “an officer of a local authority shall not, under colour of his office or employment, accept any fee or reward whatsoever other than his proper remuneration”.

Any officer who has direct or indirect interest in any contract, or who is offered any fee or reward shall write to the Chief Executive immediately. Any person who fails to comply with Section 117(1) and/or (2) may render themselves liable to a fine of £1,000.

- **Section 151 of the Local Government Act 1972**

Under Section 151 “Every local 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”.

The County Council have appointed the Director of Finance as the responsible officer.

No item having financial consequences shall be placed on a Council meeting agenda without obtaining the Director of Finance's financial assessment. Any report containing new proposals shall include an independent financial assessment by the Director of Finance.

- **Local Government Act 2003**

The Local Government Act 2003 requires that the Director of Finance has:

- (a) a statutory duty to advise the Council on Cabinet proposals in accordance with their responsibilities under Section 151 of the Local Government Act 1972 and the Local Government Act 2003;
- (b) responsibilities in relation to the level of the Council's reserves and protocols for their use;
- (c) responsibilities to take into account matters as specified in CIPFA's Prudential Code for Capital Finance in Local Authorities (2003);
- (d) robustness of estimates included in the budget and the adequacy of the reserves for which the budget provides.

The annual investment strategy is an annual statement prepared in accordance with the Local Government Act 2003. Section 15(1), states that all Authorities must “have regard to guidance on investments issued by the Secretary of State”, when investing surplus cash.

- 16 The Director of Finance will support these financial regulations by the issue of more detailed instructions to Strategic Directors from time to time.

Responsibilities of Strategic Directors

- 17 All Strategic Directors shall be responsible for ensuring that all employees of their departments comply with financial regulations and any other financial instructions the Director of Finance may issue from time to time.
- 18 They shall also ensure that:
- (a) existing and new employees are informed of their responsibilities under financial regulations and are familiar with these documents,
 - (b) all financial regulations or contracts and award procedures are followed by everyone in their department,
 - (c) relevant records are maintained and retained,
 - (d) particular care is necessary to ensure that Officers whose responsibilities extend to routine aspects of budgeting, record keeping, ordering, income and payments are fully aware of the detailed requirements of the relevant Appendices to these regulations.
- 19 To consult the Director of Finance on any matter which is liable materially to affect the finances of the Council, before any provisional or other commitment is incurred.
- 20 To be responsible for securing value for money in relation to their activities and for achieving financial performance targets.

The Decision Making Process

- 21 The Cabinet is responsible for establishing protocols to ensure that individual Cabinet Members consult with relevant Officers before taking a decision within his/her delegated authority. In doing so he/she must take account of advice as to legal and financial liabilities and risk management issues which may arise from the decision.
- 22 The Monitoring Officer must ensure that Cabinet decisions and the reasons for them are made public. He/she must also ensure that Council Members are aware of decisions made by the Cabinet and of relevant decisions made by Officers under the terms of any specifically delegated Cabinet responsibility.
- 23 The Monitoring Officer is responsible for advising the Council, Cabinet and Officers regarding who has authority within the Council to take a particular decision.

Key Decisions

These decisions are subject to the access to information requirements for open government. A key decision is defined as a decision that affects two or more electoral wards or saves/costs more than £500,000.

- 24 The Monitoring Officer and Director of Finance are responsible for advising the Chief Executive, Cabinet or Council whether a decision is likely to be considered contrary to, or not wholly in accordance with, the policy framework or budget. In this context “contrary to the budget” may be as a result of:
- (a) initiating a new policy,
 - (b) committing expenditure in future years to above the budget level.
- 25 It is ultimately the responsibility of Strategic Directors to consult with the Director of Finance on any matter which is liable to affect the Council’s finances materially before any commitments are incurred. The Director of Finance has a legal duty to provide financial advice to the Council. Strategic Directors should not, therefore, appoint financial consultants or outside advisers without consulting the Director of Finance.

Virement

- 26 The Council is responsible for agreeing procedures for virements (transfer of funds between budgets).
- 27 Strategic Directors are responsible for agreeing in-year virements within delegated limits, as set out in Appendix 1, paragraph 2(b).

Treatment of year-end balances

- 28 Cabinet is responsible for agreeing procedures for carrying forward under or overspendings on budget headings.

C(2) FINANCIAL REGULATION 2 - FINANCIAL PLANNING

Introduction

- 1 The Council is responsible for approving the following, which will be proposed by the Cabinet:
 - the policy framework,
 - the Council Plan,
 - the Revenue Budget and Five Year Financial Plan,
 - the Capital Programme and Treasury Management Strategy.

Policy framework

- 2 The Council is responsible for determining a policy framework proposed by the Cabinet. The framework includes:
 - Community strategy,
 - Council Plan,
 - education inclusion strategy,
 - caring for people joint policy,
 - community safety strategy,
 - Derbyshire education strategy,
 - food standards enforcement plan,
 - local transport plan,
 - youth justice plan,
 - Derbyshire Health and Wellbeing strategy.

The Council is also responsible for approving procedures for agreeing variations to approved budgets, plans and strategies which form the policy framework.

- 3 The Council is also responsible for determining when a decision will be deemed contrary to the budget or policy framework and should therefore be referred to the Council by the Chief Executive, Director of Finance and/or Monitoring Officer.
- 4 The Cabinet is responsible for taking in year decisions on resources and priorities in order to deliver the budget policy framework within the financial limits set by the Council.

Preparation of the Council Plan

- 5 The Chief Executive is responsible for proposing the Council Plan to the Cabinet for consideration before its submission to Council for approval.

BUDGETING

Budget guidelines

- 6 The Director of Finance will issue guidelines on budget preparations to Members and Strategic Directors in accordance with Council and Cabinet requirements. The guidelines will take account of:
- legal and consultation requirements,
 - medium term planning prospects,
 - available resources,
 - spending pressures,
 - relevant Government guidelines,
 - cross-cutting issues (where relevant).

Budget preparation

- 7 The Director of Finance is responsible for ensuring that a revenue budget is prepared on an annual basis for consideration by the Cabinet before 8 February, and subsequent submission to the Council. The Council may amend the budget, or ask the Cabinet to reconsider it before approving it. The Budget must, however, be approved and precepts notified to billing authorities prior to 1 March in accordance with the Local Government Act 1992.
- 8 The Director of Finance is responsible for preparing a report in accordance with the Local Government Act 2003 which the Council must consider when it is making its statutory calculations required to determine its precept. The report must deal with the robustness of the estimates included in the budget and the adequacy of reserves for which the budget provides. The Department for Communities and Local Government advise that the professional advice of the Chief Finance Officer is required on these two questions, and that they are connected with matters of risk and uncertainty.
- 9 The Cabinet is responsible for issuing guidance on cash limits and the general content of the budget in consultation with the Director of Finance as soon as possible following approval by the Council.
- 10 It is the responsibility of Strategic Directors to ensure that annual revenue estimates reflecting agreed service plans and including all necessary resource plans and financial estimates are prepared in consultation with the Director of Finance and are reported to the Cabinet.

Preparation of the Capital Programme and Treasury Management Strategy

- 11 The Chief Executive, in consultation with the Director of Finance, Director of Property and other Strategic Directors is responsible for ensuring that a Capital Programme is prepared on an annual basis in accordance with the requirements of CIPFA's Prudential Code for Capital Finance in Local Authorities (2009) for consideration by the Cabinet, before submission to the Council.

Resource allocation

- 12 The Chief Executive is responsible for securing a resource allocation process, which is consistent with the Council's policy.

C(3) FINANCIAL REGULATION 3 - CONTROL OF RESOURCES INCLUDING EMPLOYEES

Internal control

- 1 Internal control refers to the system of controls devised by management to help ensure the Council's objectives are achieved in a manner which promotes effective, efficient and economical use of resources and that the Council's assets and interests are safeguarded.
- 2 The Audit Committee is responsible for reporting to Cabinet and Council on matters arising from its review of internal control and governance and the Annual Governance Statement.
- 3 It is the responsibility of the Strategic Directors to establish sound arrangements for planning, appraising, authorising and controlling their operations in order to achieve effectiveness, efficiency and economy and for achieving their financial performance targets.

Employees

- 4 The Chief Executive is responsible for providing overall management of employees. He/she is also responsible for ensuring that there is proper use of the job evaluation or other agreed systems for determining the grade and remuneration of a job.
- 5 Strategic Directors are responsible for controlling total employee numbers by:
 - adjusting the employee numbers to that which can be funded within approved budget provision, varying the provision as necessary within that constraint in order to meet changing operational needs and in line with the Council's HR Strategy.
 - the proper use of appointment procedures as defined in the Recruitment and Selection Guidelines.

Budget monitoring

- 6 The Director of Finance is responsible for providing appropriate financial information to enable budgets to be monitored effectively. He/she must monitor the control of income and expenditure against budget allocation and report to the Cabinet on variances.
- 7 It is the responsibility of Strategic Directors to control income and expenditure within their area and to monitor performance. They should also take any action necessary to avoid exceeding their financial allocation.

Register of Members' interests

- 8 The Monitoring Officer is responsible for ensuring that the procedures agreed by Council for the registration of Members' interests comply with statutory requirements.

Risk Management - Code of Audit Practice Requirements

- 9 The Council and Cabinet are jointly responsible for approving the Council's Risk Management Policy Statement (after receiving a report from the Audit Committee on risk management, internal control and governance and the Annual Governance Statement) and for effecting proper insurance.
- 10 The Council's Audit Committee considers, at each meeting, a report on the Council's Risk Register and is charged to consider any significant changes in risk and with monitoring the effectiveness with which key risks identified are managed.
- 11 The Director of Finance is responsible for preparing the Council's Risk Management Policy Statement, promoting it throughout the Council and for advising the Cabinet on proper insurance cover.
- 12 The Director of Finance shall be responsible for effecting all necessary insurance within the policy determined from time to time by the Council. Strategic Directors will be responsible for notifying to him/her changes in any insurable risks and will submit claims in accordance with the approved arrangements.
- 13 Strategic Directors shall consult the Director of Finance and Director of Legal Services before giving any indemnity on behalf of the Council.
- 14 Strategic Directors shall notify the Director of Finance immediately of any loss, liability or damage, which may lead to a claim against the Council.

Security

- 15 Strategic Directors should ensure that appropriate records, whether held in a manual or electronic format, are properly maintained and securely held. They are also responsible for ensuring that all business critical systems are identified, that systems so identified are adequately documented and that sound arrangements for the security and continuity of service in the event of disaster are in place and have been tested in advance where practicable.

C(4) FINANCIAL REGULATION 4 – SYSTEMS AND PROCEDURES

Decision making procedures

- 1 The Council is responsible for approving procedures for reporting its decision-making processes and the financial information associated with them. The Chief Executive should provide a system for the recording of the Council's decisions and for the secure storage of media used to record those decisions.

Income and expenditure

- 2 It is the responsibility of Strategic Directors to ensure that a proper scheme of delegation has been established within their Departments, operating effectively and reviewed and updated annually to a standard determined by the Director of Finance. It should identify employees authorised to act on behalf of the Cabinet, Cabinet Member or the Strategic Director, in respect of payments, income collection and for placing orders, together with the limits of their authority. The Council is responsible for approving procedures for writing off debts as part of its overall control framework of accountability and control.

Financial systems and procedures

- 3 The Director of Finance is responsible for the operation of the Council's accounting systems, the form of accounts and the supporting financial records. Any proposed changes by Strategic Directors to existing financial and/or control systems or the establishment of new systems must be reported to and considered by the Head of Audit Services who will consider the potential impact on the Internal Control framework and report to the Director of Finance, raising any concerns as appropriate. The Director of Finance will then formally consider the proposed changes. No changes may be actioned without the formal approval of the Director of Finance.
- 4 Strategic Directors are responsible for the proper and effective operation of financial processes and control systems within their own departments.
- 5 Any changes to financial instructions and procedure notes by Strategic Directors, to meet their own specific service needs, should be agreed by the Director of Finance, who will seek Cabinet approval where appropriate.
- 6 Strategic Directors must ensure that they have sufficient, appropriately qualified employees and other resources to meet their responsibilities and must consult the Director of Finance to ensure that such employees have received appropriate financial training.

Data protection

- 7 Strategic Directors should ensure that, where appropriate, classes of information held on computer and other systems are notified to the Information Commissioner in accordance with Data Protection legislation and that employees are aware of their responsibilities under this legislation and the Freedom of Information Act 2000 and Environmental Information Regulations 2004.

C(5) FINANCIAL REGULATION 5 – EXTERNAL ARRANGEMENTS

- 1 The Council provides a distinctive leadership role for the community and brings together the contributions of the various stakeholders.
- 2 The Cabinet is responsible for approving delegations, including frameworks for partnerships. The Cabinet is the focus for forming partnerships with other local public, private, voluntary and community sector organisations to address local needs. It is responsible for ensuring that the contractual arrangements for any work for third parties or external bodies comply with Corporate Strategy.
- 3 The Council/Cabinet will decide on Member representation and the Chief Executive will decide on Officer representation of the Council on partnership and external bodies, as required by statute or the Council.
- 4 The Monitoring Officer is responsible for promoting and maintaining the same high standards of conduct with regard to financial affairs and governance in partnerships that apply throughout the Council.
- 5 The Director of Finance must specify the accounting and auditing arrangements to be adopted relating to partnerships and joint ventures and consider the overall corporate governance arrangements when arranging contracts with external bodies. Auditing arrangements should include, as a minimum, guaranteed rights of access for the County Council's auditors at all times to all documents, records, employees and premises which relate to, or are provided by, the Council's contributions to the partnership. He/she must ensure that the risks have been fully appraised before agreements are entered into with external bodies.
- 6 Strategic Directors are responsible for:
 - ensuring that appropriate approvals are obtained before any negotiations are concluded in relation to work with external bodies and third parties,
 - maintaining a register of all contracts/partnership agreements entered into with external bodies in accordance with procedures approved by the Director of Legal Services which must include details of :
 - the aims and objectives of the contract/partnership,
 - its approved duration,
 - the Council's commitment in terms of finance and other resources,
 - the framework by which the performance of the contract/partnership is to be monitored,
 - exit strategy on completion or termination of the contract/partnership ensuring that before entering into agreement with external bodies, a risk management appraisal has been prepared for the Chief Executive's approval,
 - ensuring that such agreements and arrangements do not impact adversely upon the services provided for the Council,

- ensuring that all agreements and arrangements are properly documented,
- providing appropriate information to the Director of Finance to enable a note to be entered into the Council's Statement of Accounts,
- ensuring that all Council employees designated/seconded to work on the contract/partnership are aware that, throughout such work, they continue to be bound by the policies, contractual requirements and financial regulations of the County Council and remain accountable to the County Council for their actions.

D STANDING ORDERS RELATING TO CONTRACTS

| | | |
|-----------------|---|---|
| <u>PART I</u> | <u>Application and Exemption</u> | |
| | SO1 | Application |
| | SO2 | Exemption |
| <u>PART II</u> | <u>Content of Contracts</u> | |
| | SO3 | Contract Conditions |
| <u>PART III</u> | <u>Competition</u> | |
| | SO4 | Invitation of Tenders |
| | SO5 | Tendering General |
| | SO6 | Tenders and Quotations below OJEU threshold requirements |
| | SO7 | Tender Processes |
| | SO8 | Submission and Opening of Tenders |
| | SO9 | Acceptance of Tenders |
| | SO10 | Alteration of Tenders |
| | SO11 | Post Tender Negotiations |
| <u>PART IV</u> | <u>Interpretation</u> | |
| | SO12 | Interpretation in the Standing Orders |
| <u>PART V</u> | <u>Financial Vetting</u> | |
| | SO13 | Financial Vetting of Contractors |
| APPENDIX A | <u>Procurement and Award Procedures</u> | |
| APPENDIX B | <u>Clause Concerning Corruption</u> | |

PART I – APPLICATION AND EXEMPTION

SO1 Application

Every contract made by or on behalf of the Council shall comply with the law of England, these Standing Orders, the Council's Financial Regulations, the Treaty of Rome and subsequent EU Directives.

SO2 Exemption

Any requirement of these Standing Orders may be waived by the Council, Cabinet, Cabinet Member or Strategic Director, subject to the limits within these Regulations, only where they are satisfied that there are special circumstances justifying exemption, its legality and that all such exemptions shall be minuted.

PART II CONTENT OF CONTRACTS

SO3 Contract Conditions

- (1) Every contract shall be:
 - (a)
 - (i) in writing in a form approved by the Director of Legal Services;
 - (ii) executed under seal when required by the Director of Legal Services;
 - (b) specify the subject matter, price (and any discount or deduction), contract period and such other terms as are agreed;
 - (c) contain a clause permitting cancellation in circumstances of corruption, such clause having the same effect as that set out in Appendix B - Clause Concerning Corruption;
 - (d) require compliance with any appropriate British Standard Specification or Code of Practice or other equal and approved European standard;
 - (e) indemnify the Council against any claim which may be made in respect of personal injury to any person unless due to the negligence of the Council and against any claim for damage to property due to the negligence of the contractor and the contractor shall when required produce satisfactory evidence that he/she is insured against such claims; and
 - (f) include the following clause:- "the award of this contract shall not entitle the contractor to endorse its products by reference in any way to the Council nor shall the contractor exhibit or display for advertisement or otherwise any goods, equipment or vehicles to be supplied under the contract to the Council and which can be identified with the Council (whether the property in such goods, equipment or vehicles shall have passed to the Council or not) without the written consent of the Council."
- (2) Where, following consultation with the Director of Legal Services and Director of Finance, it is considered appropriate a contract shall:
 - (a) contain a clause requiring payment of liquidated damages if the contractor fails to complete the contract in time; and
 - (b) be supported by sufficient security for due performance.

PART III COMPETITION

Procurement and Awarding of Contracts

These Regulations are applicable when goods, services or works are to be obtained through procurement; including a grant model where there is a requirement for measurable outcomes to be achieved as a consequence of the grant monies being made available.

The process for ensuring that officers have acted in an open and transparent manner to ensure a Best Value outcome is through competition.

All such competitions shall conform to relevant law and be in accordance with the best practice guidance of the Director of Finance and the Director of Legal Services.

The guidance, which is available through Dnet and Procurement Connection, will define the minimum standards required and be subject to regular review.

The procurement and award procedures are summarised in Appendix A of this section.

The procedures have been distilled into 10 protocols. The protocols highlight:

- the type of spend that they cover;
- the process that is required to deliver a compliant procurement;
- the minimum advertising requirements to conform to Council and legal requirements;
- the requirements of a contract between the Council and a provider;
- how a contract should be awarded;
- where the publication of the award shall take place;
- registration of the contract on a departmental contract database; and
- the requirements for inclusion on the SAP system to allow payment of the supplier and monitoring of the tender/contract process.

An overview of each of the protocols is detailed below; however officers should seek further guidance on application of the protocols from the published guidance referred to above and/or from the Director of Finance.

Protocol 1

The requirement for formal tendering is set at the level of the published OJEU Public Procurement Threshold for tendering. At present this is set at £172,514 which is equivalent to €207,000.

Expenditure at this level is within the requirements of the Public Procurement Regulations and the process must follow the requirements set out in those Regulations for either a Part A or Part B service.

All such tendering must be carried out utilising the eTendering system.

The contractual relationship required with a successful provider can vary from a simple award letter to a complex multi-layered agreement. It is important that advice is taken from the Director of Legal Services on the approach to be taken at the earliest possible stage.

All awards at this level are required to have Cabinet approval.

Protocol 2

The use of non-DCC Framework agreements for amounts over £20,000 will require, depending on the value of the contract, Cabinet or Cabinet Member approval.

This is for a number of reasons:

- The Council is committed to giving opportunities to local businesses to bid for work wherever this is cost effective or, to allow a consortium of local businesses to come together to provide a service.
- Broad based frameworks may not always deliver Value for Money (VfM).
- The Council is tied to the scope of the original tender process with its restrictions and risks of challenge in the event of substantial alterations being required.

For these reasons a business case is required to be submitted to the Director of Finance that justifies the use of the non-DCC Framework and which covers VfM, local impact (supported by a local sourcing evaluation), the terms of any contract and evidence that the Framework is legally compliant.

When approval is given it may be necessary to undertake a mini competition to ensure best value. Approval will then be required from the Director of Legal Services to agree terms and conditions, including call-off terms.

Final approval will be required from Cabinet or Cabinet Member, depending on the value of the contract.

Protocol 3

A DCC Framework (established under Protocol 1) requires compliance with the terms of the Framework including a mini- competition where appropriate. Approval of an award under the Framework is subject to Strategic Director approval.

Protocol 4

The use of a DCC approved corporate contract requires spend approval through the departmental authorisation process.

Protocol 5

Expenditure between £20,000 and the OJEU threshold (at present £172,514 equivalent to €207,000) which is **High Business Risk** requires a tender and contract process that ensures that any legal, financial, reputational and service risks are adequately mitigated. The principle of risk and ways in which it can be assessed are covered in further guidance. Officers should seek advice if they are unsure how to assess risk for a project. Risk assessments must be properly documented.

Where risk is assessed as high then a formal contract document that safeguards the Council against those risks must be put in place.

Cabinet Member approval is required for award.

Protocol 6

Expenditure between £20,000 and the OJEU threshold (at present £172,514 equivalent to €207,000) which is **Low Business Risk** can usually be contracted by way of standard terms and conditions. There is still a need for a proportionate procurement process which meets operational, legal and financial requirements. The principle of risk and ways in which it can be assessed are covered in further guidance. Risk assessments must be properly documented at the time they are undertaken.

Strategic Director approval is required for the award.

Protocol 7

A minimum of three quotations should be sought for expenditure up to £20,000 subject to the provisions of SO4(2) below.

Strategic Directors can authorise approval of acceptance of quotations as they consider appropriate.

Protocol 8

Wherever possible the Council should avoid procurement involving sole suppliers of goods or services.

Specifications should be written so as to allow as many suppliers as possible in the market to submit solutions to Council requirements without any artificial constraints.

There are, however, times when for compatibility or market reasons one supplier is the only viable source of a service, or component, or software; or is in a unique supply position.

By reason of the risks inherent in a sole supplier relationship a business case is required to be submitted to the Director of Finance and Director of Legal Services that justifies the use of a sole supplier. The use of such suppliers requires a waiving of Financial Regulations and, where above OJEU threshold, advertising the award in the OJEU.

Dependent on the value of the proposed contract with a sole supplier, approvals need to be sought from Cabinet, Cabinet Member or Strategic Director.

Protocol 9

The need to make material changes to contracts during the term of the contract may occur when the initial drafting of the requirement was imprecise or the long-term need was not fully explored or, alternatively, where new unforeseeable circumstances occur.

Material changes to existing contracts produce a risk of challenge and it is therefore necessary to produce a business case with risk assessment to seek approval from the Director of Finance and Director of Legal Services.

Dependant on the value of the contract approvals need to be sought from Cabinet, Cabinet Member or Strategic Director in conjunction with the Director of Finance and Director of Legal Services.

Protocol 10

This applies to extensions of contract beyond originally awarded period or indicated spend.

Such changes produce the risk of challenge and it is therefore necessary to produce a business case with risk assessment to seek approval from the Director of Finance and Director of Legal Services.

Dependent on the value of the contract approvals need to be sought from Cabinet, Cabinet Member or Strategic Director in conjunction with the Director of Finance and Director of Legal Services.

Determining the value of a contract

In determining the value of a contract to be offered to the market the following four principles shall apply:

1. It shall be based on the fixed budgeted expenditure/approval; or
2. A calculation of the expenditure in the previous year multiplied by four years or where a contract exceeds four years then by the total number of years of that contract;
3. Where expenditure has not previously been incurred, but the demand may be on-going, the value of the estimated monthly expenditure multiplied by 48 months or where a contract exceeds 48 months then by the total number of months of that contract;
4. Purchases of like type or part of the same project shall be included within any calculation.

Based on an assessment of risk contract expenditure figures must be monitored quarterly to ensure that the basis of any contracts awarded remain appropriate and legal.

Existing Contracts

Where existing corporate contracts are already in place and they have been procured in such a way that the requirements to be purchased were identified at both the advertising and specification stages they should be used. The Director of Finance will contract for all identified corporate and generic needs or will endorse departmental or sub-departmental level contracts where they can be utilised by other departments and sections.

All departments shall hold a register of all contracts, in a standard format issued by the Director of Finance, which they shall update monthly. All contracts above £50,000 shall be reported to the Director of Finance on a monthly basis.

Contracts shall be identified on the SAP system (from April 2015 at the earliest), to allow electronic ordering and on Dnet to assist officers in identifying approved contracts. In addition, they will be published on the Council's website and the Source Derbyshire website or such other site as appropriate, in order to deliver the policy requirements of transparency.

Frameworks

The use of national, regional, sub-regional, consortium or other frameworks shall only be permitted on submission of a business case to the Director of Finance which clearly identifies the benefits to be gained, the legality of the framework, the terms associated with any purchases made and the justification for not making the work available for tender. The use of all such frameworks, other than those which the Council have themselves put in place, shall be reported to Cabinet or Cabinet Member, depending on the value and requesting the use of the Framework in accordance with Standing Orders prior to award.

Approvals Methodology

In order to minimise the time constraints on decision making the methodology to be adopted is based on risk, compliance and governance.

The Procurement and Award Procedures, set out in Appendix A, identifies the required approach which must be followed for contracts and awards across the Council.

It should be noted that the admission of a contractor onto the SAP system will be dependent on demonstrating that the correct process of market engagement and award has been followed.

SO4 Invitation of Tenders

- (1) Tenders shall be invited by public notice in accordance with the tendering procedure set out in SO5.
- (2) Where the estimated value of a proposed contract does not exceed £20,000 alternative quotations shall be invited from at least three firms considered competent to perform the contract, in addition to any in-house bid. Where the Strategic Director considers that this is impractical, arrangements for inviting tenders or negotiating contracts under competitive conditions shall be in accordance with procedures agreed with the Director of Finance.

SO5 Tendering General

- (1) Tenders and quotations must be invited so as to give sufficient time for the market to respond to the requirement.
- (2) The standard Prequalification Questionnaire (PQQ) or Commercial Questionnaire (see Procurement Connection website on Dnet) must be used.
- (3) The Council is committed to minimising the burden on businesses and all tender documentation should be relevant and appropriate to the goods, service or works required.
- (4) All tenders above the OJEU threshold must conform to the requirements set out in the Public Procurement Regulations. The notice must be in the form prescribed by the Public Procurement Regulations. The electronic notice must be issued through the approved systems only.
- (5) Tenders and quotations above £20,000 shall be advertised on the Source Derbyshire website.

SO6 Tenders and Quotations below OJEU threshold requirements

- (1) The Public Procurement Regulations encompass the requirements of the EU Directives on Procurement. Officers must ensure that their tenders and processes comply, not only with the guidance published for these regulations, but further take into consideration interpretations of the legal requirements in court rulings and advice from the Director of Legal Services.
- (2) Below OJEU threshold tenders must also ensure compliance with EU guidance.

SO7 Tender Processes

There are 6 main processes permitted for bidding within the Public Procurement Regulations and they represent best practice for all procurement above £20,000.

- Open Tendering by Public Notice
- Restricted Tendering Process
- Competitive Dialogue
- Negotiated Tendering Process
- Dynamic Purchasing System
- Framework (mini-competitions)

- (1) The rules pertaining to each of these is different and the process chosen to fulfil a supply requirement must not only meet the business needs of the Council but the purpose for which the process was designed. Each process also comes with selection risks and resource implications.
- (2) It is therefore essential that officers appraise themselves of the alternative procedures and how best to utilise them to deliver VfM and the right business solution.
- (3) Early advice from corporate or departmental procurement teams and the Director of Legal Services must be sought. Guidance is also available on Procurement Connection on Dnet.

SO8 Submission and Opening of Tenders

- (1) An invitation to tender/bid shall state clearly the closing date and time for its receipt and that:
 - (a) the Council do not bind themselves to accept the lowest or any tender;
 - (b) no tender will be accepted unless it is enclosed in the special envelope (bearing the distinctive label supplied with the tender form) properly sealed and addressed to the Chief Executive and either sent by post or delivered by hand to the Chief Executive's Office, or has been sent electronically using the Council's approved eTendering system;
 - (c) proof of posting will not be accepted as proof of delivery if the tender fails to arrive at the address shown on the tender envelope label before the closing date and time for hard copy tenders and supplementary information; and

- (d) only the electronic receipt issued within the eTendering system will be accepted as proof of an electronic submission.
- (2) No hard copy or electronic tenders received after the closing date and time shall be considered (any such tender will be returned to the tenderer by the Chief Executive). Any electronic tender submitted by any means other than through the eTendering system will be deleted unread.
- (3) Hard copy tenders shall be kept in the custody of the Chief Executive and electronic tenders within the secure area of the Council's eTendering system until the time and date specified for their opening.
- (4) Opening of Tenders will follow the following protocol(s):
 - (a) where only hard copy tenders are received all the tenders shall be opened at one time, which shall be as soon as possible after the closing time and only in the presence of three officers appointed by the Chief Executive; those officers shall certify a list of tenders received;
 - (b) where tenders are received solely through the Council's approved eTendering system, they are subject to the electronic security protocols within that system which require tenders to be opened electronically;
 - (c) where both electronic and hard copy tenders are submitted for the same contract, all tenders received by both means must be brought together for formal tender opening at one time, and ALL tenders received must be recorded on a list certified by the Tender Opening Panel members as in (a).
- (5) The Chief Executive may nominate another officer to discharge his responsibilities under this Standing Order.

SO9 Acceptance of Tenders

Where tenders have been received in accordance with these Standing Orders then the award of contract shall be in accordance with the approved methodology as set out within the Procurement and Award Procedures in Appendix A.

SO10 Alteration of Tenders

Once opened, tenders shall not be altered except that a tenderer may be given an opportunity to have an error in calculation corrected. When such an opportunity is given, the tenderer shall be given no information about other tenders or the likelihood of their tender being accepted.

SO11 Post-Tender Negotiations

- (1) Post-tender negotiations will only be undertaken in exceptional circumstances, where the law allows and in consultation with the relevant Strategic Director, Director of Legal Services and Director of Finance. It is essential that such negotiations are conducted professionally and with demonstrable probity.
- (2) Post-tender negotiation takes place after the formal receipt of tenders and before the formal award of contracts. Its purpose is to secure some improvement in price, delivery or quality, it is quite a different process from that of clarifying points

with tenderers about aspects of their bids. It also differs from claim negotiations with contractors.

- (3) Before engaging in negotiation, the following criteria must be met:
 - (a) there must be a considered and soundly based prospect of improving VfM;
 - (b) it must be possible to justify the resource costs;
 - (c) it must be subject to senior management's prior approval;
 - (d) trained and experienced purchasing officers must conduct negotiations; and
 - (e) negotiations must be fully documented, so that a clear audit trail is left.
- (4) The use of post-tender negotiation must be justified and shown to have been conducted in a fair manner. The relevant contract files etc. should clearly show the:
 - (a) justification for the use of post-tender negotiation;
 - (b) approval for post-tender negotiation by the Director of Finance and the Director of Legal Services;
 - (c) aim of the negotiations;
 - (d) methods used;
 - (e) precise record of all exchanges, written and verbal, including officers involved; and
 - (f) approval for the award of contract as set out in Appendix A.

PART IV INTERPRETATION

SO12 Interpretation in the Standing Orders

The meaning of the following terms is as set out:

"Contract"

Means a contract for the execution of works or the supply of goods, materials or services.

"Firm"

Includes any company, partnership, co-operative or other business entity or person.

"Public Notice"

Means a notice published on the Source Derbyshire website, and, where appropriate, one trade newspaper or journal circulating among such firms who undertake such contracts, the OJEU and "published" shall be interpreted accordingly.

PART V FINANCIAL VETTING

SO13 Financial Vetting of Contractors

The financial vetting of contractors is an integral part of the procurement process and is designed to ensure that the contractor is financially able to perform the requirements imposed by the contract. In the context of this process, financial vetting should form part of the selection criteria and be proportional to the financial and business risk of the Council alongside other qualitative and quantitative factors that can be grounds for selecting or rejecting a preferred supplier. The financial vetting procedure is the responsibility of the Director of Finance, who will arrange specific guidance, and is distinct from the technical vetting of contractors which is the responsibility of appropriate technical and professional officers.

APPENDIX A

PROCUREMENT AND AWARD PROCEDURES

| | Spend Type | Process Required | Minimum Advertising Required | Contracting Requirements | Award of Contract | Publication of Award | Inclusion on SAP |
|------------|---|---|-------------------------------------|--|--|--|---|
| Protocol 1 | All contracted expenditure and DCC Frameworks that are above the OJEU threshold | Formal Tender through eTendering | OJEU plus Source Derbyshire website | Bespoke contract approved by the Director of Legal Services for high risk requirements. For low risk requirements an award letter. | Cabinet | Award published on OJEU plus Source Derbyshire website plus departmental contract database | MD4 plus published catalogue plus contract detail |
| Protocol 2 | Use of a non-DCC Framework, above £20,000 | 1) Submission of business case to Director of Finance for approval 2) Mini Competition where appropriate | None | Approval of terms and conditions, including call-off terms, by Director of Legal Services | Above OJEU threshold - Cabinet £20,000 to OJEU threshold - Cabinet Member | Award published on Source Derbyshire website plus departmental contract database | MD4 plus published catalogue plus contract detail |
| Protocol 3 | Use of a DCC established Framework (established under Protocol 1) | Mini Competition | None | None | Strategic Director | Departmental contract database | Contract detail |

APPENDIX A

PROCUREMENT AND AWARD PROCEDURES

| | Spend Type | Process Required | Minimum Advertising Required | Contracting Requirements | Award of Contract | Publication of Award | Inclusion on SAP |
|------------|---|--|--|--|--|---|---|
| Protocol 4 | Use of a DCC approved Corporate Contract | Selection of Requirement | None | Covered by contract terms and conditions | Strategic Director | None | None |
| Protocol 5 | £20,000 to OJEU threshold High Business Risk | Formal Tender through eTendering | Source Derbyshire website | Bespoke Contract approved by Director of Legal Services | Cabinet Member | Award published on Source Derbyshire website plus departmental contract database | MD4 plus published catalogue plus contract detail |
| Protocol 6 | £20,000 to OJEU threshold Low Business Risk | Quotation | Source Derbyshire website | General conditions of contract as a minimum | Strategic Director | Award published on Source Derbyshire website plus departmental contract database | MD4 plus published catalogue plus contract detail |
| Protocol 7 | Up to £20,000 | Quotation | 3 Confirmed quotations from suitably qualified sources | SAP Order | Strategic Director | None | MD4 |
| Protocol 8 | Sole Supplier | Submission of Business Case to Director of Finance and Director of Legal Services for approval | None | Formal Best Value Process and contract terms and conditions approval by Director of Finance and Director of Legal Services | Above OJEU threshold - Cabinet £20,000 to OJEU threshold - Cabinet Member Up to £20,000 – Strategic Director | Award published on Source Derbyshire website and OJEU if above the OJEU threshold plus departmental contract database | MD4 plus published catalogue plus contract detail |

APPENDIX A

PROCUREMENT AND AWARD PROCEDURES

| | Spend Type | Process Required | Minimum Advertising Required | Contracting Requirements | Award of Contract | Publication of Award | Inclusion on SAP |
|-------------|--|--|------------------------------|--|--|---|---------------------------------------|
| Protocol 9 | Material Changes to Contracts | Submission of Business Case including risk assessment to Director of Finance and Director of Legal Services for approval | None | Contact the Director of Finance and Director of Legal Services for advice | <p>Above OJEU threshold - Cabinet</p> <p>£20,000 to OJEU threshold - Cabinet Member</p> <p>Up to £20,000 – Strategic Director In conjunction with the Director of Finance and Director of Legal Services</p> | Award published on Source Derbyshire website and OJEU if above the OJEU threshold plus departmental contract database | Update of Catalogue and Contract Data |
| Protocol 10 | Extensions of Contract beyond originally awarded period or indicated spend | Submission of Business Case including risk assessment to Director of Finance and Director of Legal Services for approval | None | Formal Best Value process and contract terms and conditions approved by the Director of Finance and Director of Legal Services | <p>Above OJEU threshold - Cabinet</p> <p>£20,000 to OJEU threshold - Cabinet Member</p> <p>Up to £20,000 – Strategic Director In conjunction with the Director of Finance and Director of Legal Services</p> | Award published on Source Derbyshire website and OJEU if above the OJEU threshold plus departmental contract database | Update of Contract data |

Clause Concerning Corruption

The Council may terminate this contract by written notice with immediate effect, and recover from the contractor all losses resulting from such termination, if the contractor, or any of its employees, agents or subcontractors (in all cases whether or not acting with the contractor's knowledge):

- (a) directly or indirectly offers, promises or gives 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, 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 this contract;
- (c) commits any offence:
 - (i) under Section 117(2) of the Local Government Act 1972;
 - (ii) under the Bribery Act 2010;
 - (iii) under the Fraud Act 2006 and legislation creating offences concerning fraudulent acts;
 - (iv) at common law concerning fraudulent acts relating to this contract or any other contract with the Council; or
 - (v) defrauds, attempts to defraud or conspires to defraud the Council.

ANNEX 1: FINANCIAL MANAGEMENT AND CONTROL

- 1 Financial management standards
- 2 Managing and controlling spending
 - (a) revenue budget
 - (b) scheme of virement
 - (c) treatment of year end balances
- 3 Accounting policies
- 4 Accounting records and returns
- 5 Format of the accounts

1 FINANCIAL MANAGEMENT STANDARDS

Objectives

- 1 All Members and Officers have a duty to abide by the highest standards of probity in dealing with financial issues. This is achieved by ensuring everyone is clear about the standards to which they are working, and the controls that are in place to ensure that these standards are met.

Responsibilities of Director of Finance

- 2 To ensure the proper administration of the Council's financial affairs.
- 3 To set financial standards, and to monitor their compliance.
- 4 To ensure proper professional practices are adhered to, and to act as head of profession in relation to the standards, performance and development of employees engaged in financial work throughout the Council.
- 5 To advise on the key strategic controls necessary to secure sound financial management.
- 6 To ensure that financial information is available to enable accurate and timely reporting of comparisons of national and local financial performance indicators.

Responsibilities of Strategic Directors

- 7 To promote and ensure adherence to the financial management standards set by the Director of Finance in their departments.
- 8 To promote and ensure adherence to proper financial practices in relation to the standards, performance and development of employees in their departments.

2 MANAGING AND CONTROLLING SPENDING

A Revenue Budget

Objectives

- a.1 Budget management ensures that resources allocated by Members are used for their intended purposes and that these resources are properly accounted for. Budgetary control is a continuous process enabling the Council to review and adjust its budget targets during the financial year. It also provides the mechanism to call to account managers responsible for defined elements of the budget.
- a.2 By identifying and explaining variances against budgetary targets, the Council can identify changes in trends and resource requirements at the earliest opportunity. The Council itself operates within an annual cash limit, approved in setting the overall budget. To ensure that the Council in total does not overspend, each service is required to manage its own expenditure within the cash limited budget allocated to it.

Key controls

- a.3 The key controls for managing and controlling the revenue budget are:
 - (i) budget holders will be responsible for the expenditure on budget heads for which they have been assigned responsibility,
 - (ii) all budgeted expenditure and income is allocated to a named budget manager,
 - (iii) budget managers accept accountability for their budgets and the level of service to be delivered,
 - (iv) budget managers follow an approved authorisation process for all expenditure,
 - (v) income and expenditure is properly recorded and accounted for,
 - (vi) performance levels/levels of service are monitored in conjunction with the budget and necessary action taken to align service outputs and the budget.

Responsibilities of Director of Finance

- a.4 To establish an appropriate framework of budgetary management and control which ensures that:
 - (i) budget management is exercised within annual cash limits unless the Council agrees otherwise,
 - (ii) each Strategic Director has available timely information on income and expenditure on each budget heading, to enable managers to fulfil their budgetary responsibilities,

- (iii) all officers responsible for committing expenditure must comply with corporate guidance and financial regulations and standing orders,
 - (iv) each budget head has a single named manager, determined by the Strategic Director. Budget responsibility should be aligned as closely as possible to the decision-making which commits expenditure,
 - (v) significant variances from approved budgets are promptly investigated and the reasons for such variances are pursued with the responsible managers.
- a.5 To administer and ensure adherence to the Council's scheme of virement.
 - a.6 To submit reports to the Cabinet and to Council, in consultation with the Strategic Director, where a Strategic Director is unable to balance expenditure and resources within existing approved budgets under his or her control.
 - a.7 To prepare and submit reports on the Council's projected expenditure compared with the budget.

Responsibilities of Strategic Directors

- a.8 To maintain budgetary control within the department, in adherence to the principles in 2a.4 and to ensure that all income and expenditure is promptly and properly recorded and accounted for.
- a.9 To ensure that a single accountable budget officer is identified for each item of expenditure under the control of the Strategic Director.
- a.10 To ensure that spending remains within the service overall cash limit, and is not overspent, by monitoring the budget.
- a.11 To ensure that a monitoring process is in place to review performance levels/levels of service in conjunction with the service plan and that any necessary action is taken.
- a.12 To prepare and submit to the Cabinet, where required, reports on the service's projected expenditure compared with its budget, in consultation with the Director of Finance.
- a.13 To ensure prior approval by the Council for new proposals* not included in the agreed budget or service plan, which:
 - (i) create material financial commitments in future years,

* A report on new proposals should explain the full financial implications, after consultation with the Director of Finance. Unless the Council has agreed otherwise, Strategic Directors must plan to contain the financial implications of such proposals within their cash limit.

- (ii) initiate new policy or cease existing policies,
 - (iii) materially extend or reduce the Council's services,
 - (iv) create or identify material new sources of income,
 - (v) where services are to be financed from government grant, or other external services, which are time limited, the proposal must contain an exit strategy that does not rely on future finance from Council Tax.
- a.14 To ensure compliance with the Council's scheme of virement.
- a.15 To consult with the relevant Strategic Director where it appears that a budget proposal, including a virement proposal may impact materially on another service or Strategic Director's level of activity.

2 MANAGING AND CONTROLLING SPENDING

B Scheme of Virement

- b.1 The Council's scheme of virement is monitored by the Director of Finance to ensure compliance with guidelines set by Council. Any variation from this scheme requires the approval of Council.
- b.2 The Council approves annual budgets for each department and Strategic Directors and the budget holders are therefore authorised to incur expenditure in accordance with those estimates. The rules below cover virement, which is switching income and expenditure between departments.
- b.3 The scheme of virement is intended to enable Strategic Directors and their employees to manage budgets with a degree of flexibility within the overall policy framework determined by the Council, and therefore to optimise the use of resources. Strategic Directors are expected to exercise their discretion in managing their budgets responsibly and prudently. In particular, they should aim to avoid supporting recurring expenditure from one-off sources of savings or additional income, or creating future commitments, including full-year effects of decisions made part way through a year, for which they have not identified future resources. Strategic Directors must plan to fund such commitments from within their own budgets.

Responsibilities of Director of Finance

- b.4 To prepare a joint report, with relevant Strategic Directors, to the Cabinet where any virements greater than £100,000 per annum are proposed between departments.

Responsibilities of Strategic Directors

- b.5 A Strategic Director may exercise virements on budgets under his/her control within their department. Strategic Directors are able to carry out virements within their own budgets as long as it does not involve the following:
 - (i) a new policy or policy change,
 - (ii) does not result in an increase in commitment in future years which cannot be met from within existing budgets,
 - (iii) does not compromise the policy/service objectives in the approved strategic plan (and related service plans).

Any virements not meeting these criteria shall be subject to approval by Cabinet.

- b.6 Amounts greater than £100,000 per annum resulting in a virement of funds between departments requires the approval of the Cabinet, following a joint report of the Director of Finance and the Strategic Director which must specify the proposed expenditure and the source of funding, and must explain the implications in the current and future financial years.

- b.7 No virement relating to a specific financial year should be made after accounting period 14 of that year.
- b.8 Where an approved budget heading is designated by the Director of Finance as a lump sum budget or contingency intended for allocation during the year, its allocation will not be treated as a virement, provided that the amount is used in accordance with the purposes for which it has been established.
- b.9 Strategic Directors must report all inter-departmental virements to the Director of Finance as part of the period end assurance framework.

2 MANAGING AND CONTROLLING SPENDING

C Treatment of end of year balances

Objectives

- c.1 The Director of Finance makes proposals to Cabinet on the treatment of balances.
- c.2 The rules below cover arrangements for the transfer of resources between accounting years, i.e. a 'carry forward'.

Key controls

- c.3 Appropriate accounting procedures are in place to ensure that carried forward totals are correct.

Responsibilities of Director of Finance

- c.4 To administer the scheme of 'carry forward' within the guidelines set by the Council.
- c.5 To report the extent of overspendings and underspendings on service estimates carried forward to the Cabinet.

Responsibilities of Strategic Directors

- c.6 The departmental outturn position will be reported to Cabinet after the end of the financial year along with the variances on the budgets that are deemed to be controllable. The Director of Finance will determine which budgets are classed as controllable and non-controllable.

Over/underspends against controllable budgets can only be carried forward with the approval of Cabinet. Requests to carry forward and/or utilise previous years' underspends will normally be through the annual outturn report.

- c.7 Schools' balances shall be available for carry forward to support the expenditure of the school concerned. Any overspend will be treated either as a licensed deficit or an LEA loan. Full details of the arrangements are contained within the Derbyshire Scheme for Financing Schools.

3 ACCOUNTING POLICIES

Objectives

- 1 The Director of Finance is responsible for the preparation of the Council's Statement of Accounts, in the format required by the CIPFA Code of Practice on Local Authority Accounting in the UK, for the financial year ending 31 March. The Audit Committee is responsible for reporting to Cabinet and Council on matters arising from its review of the accounting policies and Annual Accounts of the Council, and will play a pro-active role in promoting discussion on both the content of the Annual Accounts and ongoing financial statements.

Key controls

- 2 The key controls for accounting policies are:
 - (a) suitable accounting policies are selected and applied consistently,
 - (b) judgements are made and estimates prepared which are reasonable and prudent,
 - (c) statutory and other professional requirements are observed to maintain proper accounting records,
 - (d) all reasonable steps have been taken for the prevention and detection of fraud and other irregularities.

Responsibilities of Director of Finance

- 3 To select suitable accounting policies and to ensure that they are applied consistently. The accounting policies will be set out in the Statement of Accounts which is prepared at 31 March each year, and will cover such items as:
 - (a) the basis on which debtors and creditors at year end are included in the accounts,
 - (b) details on substantial provisions and reserves, and contingent liabilities,
 - (c) fixed assets,
 - (d) depreciation,
 - (e) capital charges,
 - (f) debt redemption,
 - (g) work in progress,
 - (h) stocks and stores,
 - (i) deferred charges,
 - (j) government grants,
 - (k) leasing,
 - (l) pensions,
 - (m) allocation of central support services.
 - (n) capital receipts.

- 4 To identify any significant changes in accounting policies, and to ensure that they are reported to, and approved by, the Audit Committee.

Responsibilities of Strategic Directors

- 5 To adhere to the accounting policies approved by the Director of Finance.

4 ACCOUNTING RECORDS AND RETURNS

Objectives

- 1 Proper accounting records are one of the ways in which the Council discharges its responsibility for stewardship of public resources. The Council has a statutory responsibility to prepare its Annual Accounts to present fairly its operations during the year. These are subject to external audit. This provides assurance that the accounts are properly prepared and proper accounting practices have been followed.

Key controls

- 2 The key controls for accounting records and returns are:
 - (a) all Cabinet Members, finance employees and budget managers operate within the required accounting standards of the Council,
 - (b) all the Council's transactions, material commitments, and contracts and other essential accounting information have been recorded completely, accurately and on a timely basis,
 - (c) procedures are in place to enable accounting records to be reconstituted in the event of failure,
 - (d) balances and reconciliation procedures are carried out to ensure transactions are correct,
 - (e) the duty imposed on the Council by the Accounts and Audit Regulations to maintain an adequate and effective audit of its accounting records and its system of internal control.

Responsibilities of Director of Finance

- 3 To determine all accounting procedures and the form of financial records for the Council.
- 4 To compile all accounts and accounting records, or ensure that they are compiled under his/her direction.
- 5 To comply with the following principles when allocating accounting duties:
 - (a) separating the duties of providing information about sums due to or from the Council and calculating, checking and recording these sums from the duty of collecting or disbursing them,
 - (b) employees with the duty of examining or checking the accounts of cash transactions shall not themselves be engaged in these transactions.
- 6 To prepare, certify and publish the pre-audit accounts of the Council for each financial year, in accordance with the statutory timetable, to make any necessary changes as a result of the external audit and for the Audit

Committee to then approve the post-audit Statement of Accounts before the statutory deadline.

- 7 To ensure that retention periods for financial records are specified and promulgated throughout the Council. The periods for which documents are to be retained are separately specified.

Responsibilities of Strategic Directors

- 8 To consult with and obtain the approval of the Director of Finance before making any changes to the format of the accounting records and procedures.
- 9 To comply with the principles outlined in paragraph 4.5 when allocating accounting duties.
- 10 To maintain adequate records to provide an audit trail leading from the source of income/expenditure through to the accounting statements.
- 11 To supply the information required to enable the Statement of Accounts to be completed, in accordance with guidelines issued by the Director of Finance.

5 FORMAT OF THE ACCOUNTS

Objectives

- 1 The format of the budget will determine the level of detail on which financial control and management will be exercised.

Key controls

- 2 The key controls for the budget format are:
 - (a) the format complies with all legal requirements,
 - (b) the format complies with CIPFA's Service Reporting Code of Practice.

Responsibilities of Director of Finance

- 3 To advise the Audit Committee on the format of the budget.

Responsibilities of Strategic Directors

- 4 To comply with accounting guidance provided by the Director of Finance.

ANNEX 2: FINANCIAL PLANNING

- 1 Financial Strategy
- 2 Budgeting
 - (a) resource allocation
 - (b) capital programmes
 - (c) preparing revenue budgets and medium term planning
- 3 Use of reserves

1 FINANCIAL STRATEGY

Objectives

- 1 The aim of the Financial Strategy is to set out the framework for the financial operation of the Council in support of its strategic and policy objectives as set out in the Council Plan. The Financial Strategy serves to drive (in conjunction with the Council Plan and Service Plans) the Medium Term Financial Plan, Capital Programme and Annual Revenue Budget. The aim of the Financial Strategy is to maximise, within existing policies, the resources available to the Council and to assist in the continuous improvement of the provision of cost effective and affordable service delivery.

Key Controls

- 2 The key controls for the Financial Strategy are:
 - (a) to ensure it is driven by the Council Plan,
 - (b) to ensure it is reviewed annually,
 - (c) to ensure the Financial Strategy drives the Medium Term Financial Plan, Capital Programme and Annual Revenue Budget.

Responsibilities of Director of Finance

- (a) to produce and update annually the Financial Strategy for approval by Cabinet,
- (b) to ensure Financial Regulations, the Medium Term Financial Plan, Capital Programme and Annual Revenue Budget together with any other financial policies, plans and guidance are consistent with the Financial Strategy.

Responsibilities of Strategic Directors

- (a) to contribute to the development of the Financial Strategy,
- (b) to ensure all financial policies, plans and guidance within Departments are consistent with the Financial Strategy.

2 BUDGETING

A Resource allocation

Objectives

- a.1 A mismatch often exists between those resources available and those required. A common scenario is that the available resources are not adequate to fulfil needs/desires. It is therefore imperative that resource allocation is carefully prioritised and the resources available are fairly allocated, in order to fulfil all legal responsibilities. Resources will include employees, money, equipment (including ICT facilities, vehicles and plant) goods, materials, land and accommodation.

Key controls

- a.2 The key controls for resource allocation are:
- (a) resources are acquired using an approved authorisation process,
 - (b) resources are only used for the purpose intended by the Council, to achieve the approved policies and objectives, and are properly accounted for,
 - (c) resources are secured for use when required,
 - (d) resources are used with the minimum level of waste, inefficiency or loss for other reasons.

Responsibilities of Director of Finance

- a.3 To advise on methods available for the funding of expenditure, such as grants from central government and borrowing requirements.
- a.4 To assist in the allocation of expenditure to managers.

Responsibilities of Strategic Directors

- a.5 To work within budget limits and to utilise resources allocated and further allocate resources in the most effective, efficient and economical way.
- a.6 To identify opportunities to minimise or eliminate resource requirement or consumption without a detrimental effect on service delivery.

2 BUDGETING

B Capital programmes

Objectives

- b.1 Capital expenditure involves acquiring or enhancing assets with a long term value to the Council, such as land, buildings and major items of plant and equipment or vehicles. Capital assets shape the way services are delivered for the long term and create financial commitments for the future in the form of financing costs and revenue running costs.
- b.2 The Government places controls on the financing capacity of the Council. This means that capital expenditure should form part of a programme, should be carefully prioritised in order to comply with the Council Plan, maximise the benefit of scarce resources and comply with CIPFA's Prudential Code for Capital Finance in Local Authorities (2009).

Key controls

- b.3 The key controls for capital programmes are:
 - (a) specific approval by the Council of its Capital Strategy and Infrastructure Plan,
 - (b) the preparation of a scheme and estimate, including associated revenue expenditure, for each capital project, for appraisal and recommendation by the Capital Strategy Group and approval by the Cabinet,
 - (c) proposals for improvements and alterations to buildings must be approved by the Director of Property.

Responsibilities of Director of Finance/Director of Property

- b.4 To prepare the Capital Strategy jointly with the Chief Executive and Strategic Directors and to report the Strategy to the Cabinet for approval. The Cabinet will make recommendations on the capital estimates and on any associated financing requirements to the Council.

Cabinet approval is required where a bid is made for additional funding using capital receipts or borrowing for schemes not included in the approved Capital Programme.

Cabinet Member approval is needed for schemes over £20,000 in value that are funded from grants and revenue contributions.

- b.5 To prepare and submit reports to Cabinet/Council on the projected expenditure and resources compared with the approved estimates, on a regular basis.
- b.6 To issue guidance concerning capital schemes and controls for example on project appraisal techniques eg the Council's project appraisal and

management toolkit. The definition of 'capital' will be determined by the Director of Finance, having regard to Government regulations and accounting requirements.

b.7 Where a tender for a capital project is above the agreed budget, or there are overspends on capital projects this will be funded as follows:

- Up to £20,000 to be approved by the Strategic Director, to be met from the department's approved capital programme,
- From £20,000 up to £100,000 to be approved by the Cabinet Member, to be met from the department's approved capital programme,
- Over £100,000 to be approved by Cabinet, to be met from the department's approved capital programme.

If a supplementary estimate is required to fund an overspend, this requires approval by Cabinet.

Responsibilities of Strategic Directors

- b.8 To comply with guidance concerning capital schemes and controls issued by the Director of Finance.
- b.9 To ensure that all capital proposals have undergone a project appraisal in accordance with guidance issued by the Director of Finance and contained in the Council's project appraisal and management toolkit.
- b.10 Approval of up to £20,000 providing this does not include any funding from borrowing.
- b.11 To prepare regular reports reviewing the capital programme provisions for their services. They should also prepare a quarterly return of estimated final cost of schemes in the approved Capital Programme for submission to the Capital Strategy Group.
- b.12 To ensure that adequate records are maintained in respect of all capital contracts.
- b.13 To prepare and submit reports, jointly with the Director of Finance, to the Cabinet, on any variation in contract costs greater than the approved limits. The Cabinet may meet cost increases by virement from savings elsewhere within their capital programme.
- b.14 To monitor and submit reports on the agreed Capital Programme against estimated and out-turn costs, jointly with the Director of Finance, to the Cabinet.
- b.15 To ensure that they do not enter into credit arrangements, such as borrowing or leasing arrangements, without the prior approval of the Director of Finance and, if applicable, approval of the scheme through the Capital Programme.

2 BUDGETING

C Preparing revenue budgets in accordance with the Council's Financial Strategy

Objectives

- c.1 The Council is a complex organisation responsible for delivering a wide variety of services. It needs to plan effectively and to develop systems to enable scarce resources to be allocated in accordance with carefully weighed priorities. The budget is the financial expression of the Council's plans and policies.
- c.2 The revenue budget must be constructed so as to ensure that resource allocation properly reflects the spending plans and priorities of the Council. Budgets (spending plans), are needed so that the Council can plan, authorise, monitor and control the way money is allocated and spent.
- c.3 Medium term planning (or a 3 to 5 year planning system) involves a rolling planning cycle in which the Council develops its plans. As each year passes, another future year will be added to the Medium Term Plan. Medium term planning ensures that the Council is always preparing for events in advance.

Key controls

- c.4 The key controls for budget preparations are:
 - (a) specific budget approval for all expenditure,
 - (b) budget managers accept accountability within delegations set by the Cabinet for their budgets and the level of service to be delivered,
 - (c) a monitoring process is in place to review regularly the effectiveness and operation of budget preparation and that any corrective action is taken.

Responsibilities of Director of Finance

- c.5 To prepare and submit reports on budget prospects for the Cabinet, including resource constraints set by the Government. Reports should take account of medium term prospects, where appropriate.
- c.6 To determine the detailed form of revenue estimates, consistent with the general directions of the Council, and after consultation with the Cabinet and Strategic Directors.
- c.7 To prepare and submit reports to the Cabinet on the aggregate spending plans of departments and on the resources available to fund them, identifying, where appropriate, the implications for the level of Council Tax to be levied.
- c.8 To advise on the medium term implications of spending decisions.

- c.9 To encourage best use of resources and value for money by working with Strategic Directors to identify opportunities to improve effectiveness, efficiency and economy, and by encouraging good practice in conducting financial appraisals of development or savings options, and in developing financial aspects of service planning.
- c.10 To advise the Council on Cabinet proposals in accordance with his responsibilities under Section 151 of the Local Government Act 1972.

Responsibilities of Strategic Directors

- c.11 To prepare estimates of income and expenditure, in consultation with the Director of Finance, to be submitted to the Cabinet for approval.
- c.12 To prepare budgets which are consistent with any relevant cash limits, the Council's annual budget cycle and guidelines issued by the Cabinet. The Director of Finance should prescribe the format in accordance with the Council's general directions.
- c.13 To integrate financial and budget plans into Service Plans, so that budget plans can be supported by financial and non-financial performance measures.
- c.14 To consult with Cabinet Members and relevant Strategic Directors, where it appears that a budget proposal is likely to impact on another service or level of service activity.
- c.15 In consultation with the Director of Finance and in accordance with the agreed guidance and timetable to prepare detailed draft revenue and capital budgets for consideration by the Cabinet and Council.
- c.16 To have regard to:
- spending patterns and pressures revealed through the budget monitoring process,
 - legal requirements,
 - policy requirements as defined by the Council,
 - initiatives already underway.

3 USE OF RESERVES

Objective

- 1 Reserves are maintained as a matter of prudence.

Key controls

- 2 To maintain reserves in accordance with the Code of Practice on Local Authority Accounting, the Council's Reserve Policy and agreed accounting policies.

Responsibilities of Director of Finance

- 3 To advise on prudent levels of reserves for the Council, and to consider the advice of external audit in this matter.
- 4 To ensure that the nature and purpose of all reserves is clearly identified and that they conform to accepted accounting practice.
- 5 To ensure all movements to and from reserves receive the appropriate level of authorisation.
- 6 That the Council's Reserve Policy is reviewed on an annual basis.
- 7 Where Cabinet/Cabinet Member has approved the budget for a scheme to spend resources in-year and there are commitments against the scheme at year-end, an Earmarked Reserve should be created for use by the department.

ANNEX 3: CONTROL OF RESOURCES INCLUDING EMPLOYEES

- 1 Internal controls
- 2 Audit requirements
 - a) internal audit
 - b) external audit
 - c) preventing financial irregularities
 - d) hospitality and gifts
- 3 Resources: Land, buildings, fixed plant and machinery
 - a) security
 - b) inventories
 - c) stocks and stores
 - d) intellectual property
 - e) private use of County Council facilities
 - f) asset disposal
- 4 Risk management and insurance
- 5 Treasury management
 - a) treasury management and banking
 - b) investments and borrowing
 - c) trust funds and funds held for third parties
 - d) imprest accounts
 - e) Money Laundering Regulations and Proceeds of Crime Act
- 6 Employees

1 INTERNAL CONTROLS

Objectives

- 1 The Council is complex and beyond the direct control of any one individual. It therefore requires internal controls to manage and monitor progress towards strategic objectives.
- 2 The Council has statutory obligations to meet, and, therefore, requires internal controls to identify, meet and monitor compliance with these obligations.
- 3 The Council faces a wide range of financial, administrative and commercial risks, both from internal and external factors, which threaten the achievement of its objectives. Internal controls are necessary to identify, evaluate and control these risks.
- 4 The system of internal controls is established in order to provide measurable assurance of:
 - efficient and effective operations,
 - reliable financial information and reporting,
 - compliance with laws and regulations.

Key controls

- 5 Effective review on a regular basis.
- 6 Managerial control systems including defining policies, setting objectives and plans, monitoring financial and other performance and taking appropriate anticipatory and remedial action. The key objectives of these systems are to promote ownership of the control environment by defining roles and responsibilities.
- 7 Financial and operational control systems and procedures, which include physical safeguards for assets, segregation of duties, authorisation and approval procedures and information systems.
- 8 An effective internal audit function which operates in compliance with the principles embodied in the Accounts and Audit Regulations 2011 (Regulations 4 and 6), the Public Sector Internal Audit Standards and with any other statutory obligations, regulations and professional Best Practice.

Responsibilities of the Director of Finance

- 9 To assist the Council to put in place an appropriate control environment and effective internal controls which provide reasonable assurance of effective and efficient operations, internal financial controls and compliance with laws and regulations.
- 10 To ensure that the Council puts in place effective internal financial controls covering codified guidance, budgetary systems, supervision, management review and monitoring, physical safeguards, segregation of duties, accounting procedures, information systems and authorisation and approval processes.

Responsibilities of Strategic Directors

- 11 To manage processes so as to ensure that established controls are being adhered to, and to evaluate their effectiveness, in order to be confident in the proper use of resources.
- 12 To update existing controls and establish and implement new ones following consultation with the Head of Audit Services who will consider the potential impact on the Internal Control Framework, and report to the Director of Finance, raising any concerns as appropriate. The Director of Finance will then formally consider the proposed changes. No changes may be actioned without the formal approval of the Director of Finance.
- 13 To ensure employees have a clear understanding of the consequences of a lack of proper internal control frameworks or the deliberate breach or circumvention of such frameworks.

2 AUDIT REQUIREMENTS

A INTERNAL AUDIT

Objective

- a.1 The Director of Finance has a statutory responsibility for the overall financial administration of the Council's affairs. Under the requirements of the Accounts and Audit Regulations 2011 (Regulation 6) the County Council is responsible for maintaining an adequate and effective internal audit.
- a.2 Internal Audit is an independent and objective appraisal function established by the Council for reviewing the Council's system of internal control. It examines, evaluates and reports on the adequacy of internal control as a contribution to the proper, economic, efficient and effective use of resources.

Key controls

- a.3 The key controls for internal audit are:
 - (i) that it remains independent in its planning and operation,
 - (ii) the Head of Audit Services has direct access to the Audit Committee, Cabinet, Council and Chief Executive.
 - (iii) Internal Audit officers comply with the requirements of the Accounts and Audit Regulations 2011 (Regulations 4 and 6), the Public Sector Internal Audit Standards and professional Best Practice.

Responsibilities of Director of Finance

- a.4 In accordance with Regulation 6 of the Accounts and Audit Regulations 2011, the Council is required to maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with the proper internal audit practices.

Responsibilities of Head of Audit Services

- a.5 The Head of Audit Services or his/her authorised representative, shall have a right of access at all times to such records and documents, including computer data, and premises (in accordance with the protocol approved by Cabinet) of the County Council as appear to him/her to be necessary for the purposes of the audit and shall be entitled to require from any Officer or Member of the County Council such information and explanation as he/she thinks necessary for that purpose. The Head of Audit Services shall provide relevant reports and advice to the officers concerned.
- a.6 The Head of Audit Services is authorised to appraise the adequacy of procedures employed by Strategic Directors to secure effectiveness, efficiency and economy in the use of resources.
- a.7 All cases of suspected fraud, misappropriation or misuse of money, materials or equipment, or any mismanagement of money or other assets, or any other

irregularities, must be reported immediately to the Head of Audit Services who will investigate all cases of suspected fraud and other irregularities. He/she will, on conclusion of the audit investigation, report to the Chief Executive who will consider any legal proceedings and/or disciplinary action in consultation with the appropriate Strategic Director(s), Director of Legal Services, Director of Finance and Head of Audit Services.

- a.8 The Head of Audit Services must maintain Strategic and Annual Audit Plans which take account of the characteristics and relative risks of the activities involved which he/she will report to the Audit Committee annually for approval. He/she should liaise with Strategic Directors on the audit strategy and cover required. In addition to the statutory requirement this takes account of the need to seek added value, effective use of resources, improved performance and cost effective controls.
- a.9 Where an appropriate response to audit recommendations has not been made within a reasonable period, the Head of Audit Services shall refer the matter to the Chief Executive for resolution. Where resolution cannot be reached, the matter shall be referred to the Chair of the Audit Committee, as specified in that Committee's Terms of Reference.
- a.10 The Head of Audit Services shall produce an annual report giving his/her opinion on the Council's framework of internal controls to the Audit Committee.
- a.11 The Head of Audit Services is responsible for the consideration and formal approval of any changes that are proposed to existing financial, control and IT systems or the implementation of new systems. He/she will consider the potential impact on the Internal Control Framework and report to the Director of Finance, raising any concerns as appropriate. The Director of Finance will then formally consider the proposed changes. No changes may be actioned without the formal approval of the Director of Finance.

Responsibilities of Strategic Directors

- a.12 To ensure that internal and external auditors are given unrestricted access to all records, personnel, assets and premises (in accordance with the protocol agreed by Cabinet) as necessary for the purpose of their work.
- a.13 To ensure that auditors are provided with any information and explanations which they seek in the course of their work.
- a.14 To consider and respond promptly to recommendations in audit reports.
- a.15 To ensure that any agreed actions arising from audit recommendations are carried out in a timely and effective fashion.
- a.16 To notify the Head of Audit Services immediately of any suspected fraud, misappropriation or misuse of money, materials or equipment, or any mismanagement of money or other assets, or any other irregularities. Pending investigation and reporting, the Strategic Director should in liaison with the Head of Audit Services take all necessary steps to prevent further

loss and to secure the integrity of records and documentation against removal, alteration or destruction.

- a.17 To ensure that new systems for maintaining financial records, or records of assets, or changes to such systems, are discussed with and formally agreed by the Council's Head of Audit Services, prior to implementation. This regulation shall also apply to computer systems. The Head of Audit Services will consider the potential impact on the Internal Control Framework and report to the Director of Finance, raising any concerns as appropriate. The Director of Finance will then formally consider the proposed changes. No changes may be actioned without the formal approval of the Director of Finance.

2 AUDIT REQUIREMENTS

B EXTERNAL AUDIT

Objectives

- b.1 The Local Government Finance Act 1982 set up the Audit Commission for local authorities in England and Wales which is responsible for appointing external auditors to each local authority. This has been supplemented by the provisions of the Audit Commission Act 1998. The Director of Finance is responsible for working with the external auditor and for advising the Audit Committee, Cabinet, Council and Strategic Directors on their responsibilities in relation to external audit. The external auditor has the same rights of access as the internal auditor to all documents that are necessary for audit purposes.
- b.2 The basic duties of the external auditor are governed by Section 15 of the 1982 Act, under which auditors need to satisfy themselves that:
- the accounts are prepared in accordance with regulations made under Section 23 of the 1982 Act and comply with the requirements of all statutory provisions applicable to the accounts,
 - proper practice has been observed in compilation of accounts,
 - the Council has made proper arrangements for securing effectiveness, efficiency and economy in its use of resources.
- b.3 The Council's accounts are scrutinised by external auditors, appointed by the Audit Commission, who must be satisfied that the Statement of Accounts 'presents fairly' the financial position of the Council and its income and expenditure for the year in question and complies with the legal requirements.

Key controls

- b.4 External auditors are appointed by the Audit Commission normally for a minimum period of five years. The Audit Commission prepares guidelines which the external auditors follow when auditing the Council's Statement of Accounts.

Responsibilities of Director of Finance

- b.5 To draw up the timetable for final accounts purposes and to advise staff and external auditors accordingly.
- b.6 To ensure that external auditors are given access to those premises, employees, documents and assets which the external auditors consider necessary for the purposes of their work.

Responsibilities of Strategic Directors

- b.7 To ensure that external auditors are given access to those premises, employees, documents and assets which the external auditors consider necessary for the purposes of their work.
- b.8 To ensure that all paperwork and systems are up to date and available for inspection.

2 AUDIT REQUIREMENTS

C PREVENTING FINANCIAL IRREGULARITIES

Objectives

- c.1 The County Council's Policy for the prevention of financial irregularities is set out in full in its Anti-Fraud and Anti-Corruption Policy Statement - which is issued to all Members and Officers of the Council.
- c.2 The Council will not tolerate fraud and corruption in the administration of its responsibilities whether from inside or outside the Council.
- c.3 The Council's expectation of propriety and accountability is that Members and Officers at all levels will lead by example in ensuring adherence to legal requirements, rules, procedures and practices.
- c.4 The Council also expects that individuals and organisations (eg suppliers, contractors, partner bodies and service providers) that it comes into contact with, will act towards the Council with integrity and without thought or actions involving fraud and corruption.
- c.5 The Audit Committee is charged with conducting an annual review and re-affirmation of the Council's Anti-Fraud and Anti-Corruption Policy Statement. It will also review and approve the Council's strategy to ensure the adequate on-going training and awareness of all employees regarding anti-fraud and corruption measures.
- c.6 The Council has in place an approved Confidential Reporting Code which applies to all employees, contractors working for the Council on Council premises, suppliers, those providing services to the Council in their own premises and members of the public. This Code provides a procedure for making confidential disclosures about suspected wrongdoing, irregularity or a failure of standards within the Council.
- c.7 The Audit Committee is charged with providing an annual report to Cabinet and Council on the continued adequacy and effectiveness of the Confidential Reporting Code, its publication and the strategy to ensure that both Members and Officers remain aware of, and comply with, its requirements.

Key controls

- c.8 The key controls regarding the prevention of financial irregularities are that:-
 - (a) the culture and tone of the Council is one of honesty and opposition to fraud and corruption,
 - (b) all Members and Officers act with integrity and lead by example,
 - (c) all individuals and organisations associated in any way with the Council will act with integrity,

- (d) senior managers are required to deal swiftly and firmly with those who defraud the Council or who are corrupt,
- (e) all employees should ensure that they remain aware of, and use, when appropriate, the Confidential Reporting Code.

Responsibilities of Director of Finance

- c.9 To maintain adequate and effective audit arrangements for the Council.

Responsibilities of Head of Audit Services

- c.10 To ensure that the outcome of investigations into potential fraud/irregularity are reported to the Chief Executive in accordance with the Council's agreed procedure.

Responsibilities of Strategic Directors

- c.11 To notify the Head of Audit Services immediately of any suspected fraud, misappropriation or misuse of money, materials or equipment, or any mismanagement of money or other assets, or any other irregularities. Pending investigation and reporting, the Strategic Director should in liaison with the Head of Audit Services take all necessary steps to prevent further loss and to secure the integrity of records and documentation against removal, alteration or destruction.
- c.12 To instigate the Council's disciplinary procedures where the outcome of an Audit investigation indicates improper behaviour.

2 AUDIT REQUIREMENTS

D HOSPITALITY AND GIFTS

(See the requirements of the Council's Code of Conduct for Officers and Members)

- d.1 It should be clearly understood that the declaration/recording of hospitality offered and received does not legitimise acceptance and that all offers of hospitality and gifts, whether accepted or declined, should be declared and recorded in accordance with the Council's appropriate Code of Conduct.
- d.2 Hospitality may only be accepted where it is secondary to a specific working arrangement and does not create a conflict of interest or is not likely to cause embarrassment to the Council. Where meals are accepted, the receipt should be entered in the departmental hospitality book. Invitations of a predominately social nature, or with only a tenuous or unspecific connection with work, may not be accepted.
- d.3 Gifts of a nominal value, currently £10, such as calendars, diaries etc may be accepted only if they bear the company's name or insignia, and can therefore be regarded as advertising material.
- d.4 Gifts of more than this nominal value offered to employees by contractors, organisations, firms or individuals should always be declined, and the offer reported to the Strategic Director, and formally recorded.

3 RESOURCES: Land, buildings, fixed plant and machinery

A SECURITY

Objectives

- a.1 The Council holds assets in the form of property, vehicles, equipment, furniture and other items worth many millions of pounds. It is important that assets should be safeguarded and used efficiently in the delivery of services, and that there should be arrangements for the security of both assets and service operations.

Key controls

- a.2 The key controls for the security of resources such as land, buildings, fixed plant and machinery are:-
- (a) resources are acquired using an approved authorisation process,
 - (b) resources are used only for the purposes of the Council and properly accounted for,
 - (c) resources are secured to be available for use when required,
 - (d) resources no longer required are promptly disposed of in accordance with the law and the regulations of the Council so as to maximise benefits.

Responsibilities of Director of Finance

- a.3 To ensure that an asset register is maintained in accordance with good practice which records plant and machinery and all moveable assets of a material value currently owned, or used, by the County Council.
- a.4 To receive that information from each Strategic Director required for accounting, costing and financial records.

Responsibilities of Director of Property

- a.5 The Director of Property shall act in the capacity of corporate landlord for any property owned or leased by the Council .
- a.6 The Director of Property shall maintain a property database, for all land and properties currently owned or used by the Council.
- a.7 To ensure the ongoing provision of effective security arrangements for the Council's buildings and other assets.
- a.8 To record all disposals of assets, which shall be in accordance with the Council's agreed procedure.

Responsibilities of Strategic Directors

- a.9 To formally notify the Director of Finance/Director of Property at the earliest opportunity of the requirement to purchase, take possession of or dispose of any material asset so that the Director of Finance/Director of Property can arrange to process the transaction.
- a.10 Where there is no contractual obligation, expenditure on rented property shall be subject to consultation with the Director of Property.
- a.11 Any use of property by a department or establishment other than for service delivery should be supported by documentation identifying terms, responsibilities and duration of the use.
- a.12 To ensure that lessees and other prospective occupiers of Council land and/or premises are not allowed to take possession or enter the land and/or premises until a lease or agreement, in a form approved by the Director of Property/Director of Legal Services has been established as appropriate.
- a.13 Where land or buildings are surplus to the requirements, they must be passed to the Director of Property for re-use or disposal. Running costs of the building remain the responsibility of the transferee until the asset is either sold or brought into new usage.
- a.14 To pass title deeds to the Director of Legal Services who is responsible for custody of all title deeds.
- a.15 To ensure that no Council asset is subject to personal use by an employee without proper authority.
- a.16 To ensure the safe custody of vehicles, equipment, furniture, stocks, stores and other property belonging to the Council.
- a.17 To ensure that the department maintains an up-to-date register of all plant machinery and moveable assets in accordance with arrangements defined by the Director of Finance.
- a.18 To ensure assets are identified, their location recorded and that they are appropriately marked and insured.
- a.19 To consult the Director of Finance and Director of Property in any case where security is thought to be defective or where it is considered that special security arrangements may be needed.
- a.20 To ensure cash holdings on premises are kept to a minimum.
- a.21 To ensure that keys to safes and similar receptacles are carried on the person responsible at all times; loss of any such keys must be reported to the Director of Finance as soon as possible.
- a.22 To ensure the valuation of assets for accounting purposes meets the requirements specified by the Director of Finance.

- a.23 To ensure that all their employees are aware that they have a personal responsibility with regard to the protection and confidentiality of information, whether held in manual or computerised records. Information may be sensitive or privileged, or may possess some intrinsic value and its disclosure or loss could result in a cost to the Council in some way. Employees are governed by the requirements of the Data Protection and Computer Misuse Acts and should comply with the guidance provided by the Information Security Policy. Measures to protect the Council's resources include maintaining the confidentiality of passwords and ensuring that manual and electronic data is held in secure locations.

3 RESOURCES: Land, buildings, fixed plant and machinery

B INVENTORIES

Responsibilities of Strategic Directors

- b.1 To maintain inventories, and to record an adequate description of the items they contain (including ICT equipment). All items with a purchase price where known or estimated purchase cost greater than £250 should be recorded.
- b.2 To carry out an annual check of all items on the inventory in order to take action in relation to surpluses or deficiencies, annotating the inventory accordingly. Attractive and portable items such as computers, cameras and dvd players whose purchase price may not exceed £250 should prudently be both recorded on the inventory and identified with security marking as belonging to the Council.
- b.3 To ensure that property is only used in the course of the Council's business.
- b.4 Any proposals for the maintenance of inventory records involving electronic media or computerised systems must be reported to and considered by the Head of Audit Services who will consider the potential impact on the Internal Control Framework and report to the Director of Finance raising any concerns prior to implementation as many of the propriety software packages on the market do not contain adequate security features or audit trails. The Director of Finance will then formally consider the proposed changes. No changes may be actioned without the formal approval of the Director of Finance.

3. RESOURCES: Land, buildings, fixed plant and machinery

C STOCKS AND STORES

Responsibilities of Strategic Directors

- c.1 To make arrangements for the care and custody of stocks and stores in the department.
- c.2 To ensure stocks are maintained at reasonable levels and subject to a regular independent physical check. All discrepancies should be recorded, investigated and pursued to a satisfactory conclusion.
- c.3 To write-off discrepancies and obtain appropriate approval in accordance with the table below:

| Written off by | Discrepancy Amount |
|--------------------|--------------------|
| Strategic Director | £0 - £3,000 |
| Cabinet Member | £3,000 - £5,000 |
| Cabinet | £5,000+ |

- c.4 To authorise or write-off disposal of redundant stocks and equipment. Procedures for disposal of such stocks and equipment should be by competitive quotations or auction unless following consultation with the Director of Finance, the Cabinet decides otherwise in a particular case.
- c.5 To write-off redundant stocks and equipment and obtain appropriate approval in accordance with the table below:

| Written off by | Redundant Stocks/Equipment Amount |
|--------------------|-----------------------------------|
| Strategic Director | £0 - £3,000 |
| Cabinet Member | £3,000 - £5,000 |
| Cabinet | £5,000+ |

- c.6 All discrepancies on stocks and stores should be taken seriously. Where there is any suspicion that the discrepancy is a result of theft or fraudulent activity, this must be reported to the Head of Audit Services immediately.
- c.7 Where concerns relate to the operation and management of the store, the discrepancy should be investigated by relevant departmental staff. However, if concerns arise during this review that there may be potential dishonesty/fraudulent activity, the matter must be reported to the Head of Audit Services immediately.
- c.8 Any stocks and stores discrepancies may only be written-off after the discrepancy has been investigated.

3 RESOURCES: Land, buildings, fixed plant and machinery

D INTELLECTUAL PROPERTY

(see the requirements of the Council's Code of Conduct for Officers)

Objectives

- d.1 Intellectual property is a generic term that includes inventions, computer programs and writings. If the employee during the course of employment creates these, then as a general rule they belong to the employer, not the employee. Various Acts of Parliament cover different types of intellectual property.
- d.2 Certain activities undertaken within the Council may give rise to items which may be patentable. These are collectively known as intellectual property.

Key Controls

- d.3 In the event that the Council decides to become involved in the commercial exploitation of inventions, the matter should only proceed following consultations with, and taking advice from, the Director of Legal Services on a case by case basis.

Responsibilities of Strategic Directors

- d.4 To ensure that employees are aware that they should not make use of the County Council's intellectual property to conduct private work.

3 RESOURCES: Land, buildings, fixed plant and machinery

E PRIVATE USAGE OF COUNTY COUNCIL FACILITIES

(See the requirements of the Council's Codes of Conduct for Officers and Members)

- e.1 Employees are reminded that equipment or facilities of the Council may not be used for personal purposes. Where an explicit policy has been approved by Cabinet to provide for limited, personal use within a regulated framework, employees are reminded that the Council may legitimately monitor such private use to ensure compliance with that framework. Employees may not conduct outside work on the Council's premises or use its facilities or equipment for such purposes.

County Council facilities include, but are not limited to:

- Property
- Vehicles
- Telecommunications equipment
- Photocopiers/printers
- Computer hardware
- Software

3 RESOURCES: Land, buildings, fixed plant and machinery

F ASSET DISPOSAL

Objective

- f.1 It would be unsatisfactory and inefficient for the cost of assets to outweigh their benefits. Obsolete, non-repairable or unnecessary resources should be disposed of in accordance with the law and regulations of the Council.

Key Controls

- f.2 Assets are disposed of at the most appropriate time and only when it is in the best interests of the Council and that the best price is obtained. For items of significant value, disposal should be by competitive tender or public auction. Waste electrical and electronic equipment should be disposed of in compliance with the Waste Electrical and Electronic Equipment Regulations 2006.

Responsibilities of Director of Finance

- f.3 To advise on best practice for disposal of assets.
- f.4 To ensure appropriate accounting entries are made.

Responsibilities of Strategic Directors

- f.5 To seek advice from the Director of Finance on the disposal of surplus or obsolete materials, stores or equipment.
- f.6 To ensure that income received for disposal of an asset is properly banked and coded.

4 RISK MANAGEMENT AND INSURANCE

Objectives

- 1 All organisations, whether they are in the private or public sectors, face risks to people, property and continued operations, which can affect delivery of services and achievement of the Council's objectives. Risk is defined as the chance or possibility of loss, damage or injury caused by an unwanted or uncertain action or event. Risk Management is the planned and systematic approach to the identification, evaluation and control of risk.
- 2 Insurance has been the traditional means of protecting against loss but this cannot be seen as the complete answer. By reducing, or even preventing, the incidence of losses (whether they result from crime or accident) the Council will improve service delivery and the effective use of resources, reduce stress and anxiety for service users and employees and benefit from reduced costs of providing insurance cover. It will also avoid the disruption and wasted time caused by losses and insurance claims.
- 3 It is the overall responsibility of the Cabinet, jointly with the Council, to approve the Council's Risk Management Strategy and to promote a culture of risk management awareness throughout the County.

Key Controls

- 4 The key controls for risk management and insurance are:
 - procedures are in place to identify, assess, prevent or mitigate material risks and these procedures are embedded within the culture of the Council,
 - acceptable levels of risk are determined and insured against where appropriate,
 - managers are made aware of the spectrum of risks for which they are responsible and are provided with relevant information on risk management initiatives,
 - provision is made for losses which may result from the risks that remain,
 - procedures are in place to investigate insurance claims within required timescales,
 - a monitoring process is in place which ensures the regular review of the effectiveness of risk reduction strategies and the operation of these controls. The risk management process should be conducted on a continuing basis,
 - the Council's Audit Committee will receive a report, at each meeting, on the Council's Risk Register and will consider any significant changes and monitor the effectiveness of the management of the key risks identified.

Responsibilities of Director of Finance

- 5 To prepare and promote the Council's Risk Management Policy Statement.
- 6 To develop risk management strategies in conjunction with Strategic Directors.
- 7 To effect corporate insurance cover, through external insurance and internal funding, and negotiate all claims in consultation with other officers where necessary.
- 8 To include all appropriate employees of the County Council in a suitable fidelity guarantee insurance.
- 9 To offer insurance cover to schools in accordance with Fair Funding arrangements.
- 10 Claims against the County Council by its employees where there is no legal liability may be settled by the Director of Legal Services up to a limit of £300 in any case, in respect of damage to or loss of personal property occurring in the course of their duties. Provided that there is no contributory negligence, the settlement to be on the following basis: -
 - (a) for repairs to clothing or other property - full cost,
 - (b) for replacement of clothing or other property (where repair was impracticable) - three quarters of reasonable replacement cost.

Responsibilities of Strategic Directors

- 11 To notify the Director of Finance immediately of any loss, liability or damage which may lead to a claim against the Council, together with any information or explanation required by the Director of Finance or the Council's insurers. These should be reported irrespective of the application of any insurance excess.
- 12 To notify the Director of Finance promptly of all new risks, properties, vehicles, plant or equipment, which require insurance, and of any alterations affecting existing insurances.
- 13 To consult the Director of Finance and the Director of Legal Services on the terms of any indemnity that the Council is requested to give.
- 14 To ensure that Council employees, or anyone covered by the Council's insurances, do not admit liability or make any offer to pay compensation which may prejudice the assessment of liability in respect of any insurance claim.
- 15 To take responsibility for risk management having regard to advice from the Director of Finance, the Corporate Risk Management Policy & Strategy and other specialist officers (eg Risk Management, Emergency Planning, Crime Prevention, Fire Prevention, Health and Safety).

- 16 To ensure that there are regular reviews of risk within their departments in accordance with the Council's Corporate Risk Management Policy & Strategy.

5 TREASURY MANAGEMENT

Objectives

- 1 The County Council is responsible for the in-house management and investment of many hundreds of millions of pounds in respect of both itself and the Derbyshire pension fund. Codes of Practice aim to provide assurances that the Council's money is properly managed in a way which balances risk with return, but with the overriding consideration being the security of the Council's capital sum.

A Treasury Management and Banking

Responsibilities of Director of Finance

- a.1 To arrange the borrowing and investments of the Council in such a manner as to comply with the CIPFA Code of Practice on Treasury Management and the Council's Treasury Management Policy Statement.
- a.2 To report at least twice a year to the Audit Committee/Cabinet on treasury management activities.
- a.3 To operate bank accounts as are considered necessary within the terms of the banking arrangement. Opening or closing any bank account shall require the prior approval of the Director of Finance.

Responsibilities of Strategic Directors

- a.4 To follow the guidance on banking issued by the Director of Finance.

B Investments and Borrowing

Responsibilities of Director of Finance

- b.1 To ensure that all investments of money are made in the name of the Council, or school in the case of a school operating an approved bank account, or in the name of nominees approved by the Council.
- b.2 To ensure that:-
- all share certificates related to holdings in Quoted Companies which are the property of the Council or its nominees are securely held by the Council's External Custodian,
 - the title deeds of all property and land in the Council's ownership are passed to the Director of Legal Services who will maintain their safe custody,
 - other share certificates relating to investments in Unquoted Companies, which are the property of the Council or its nominees, are securely held by the Director of Finance, and,
 - all investments on behalf of the Council in Unit Trusts are independently validated by means of an Annual Audit Certificate, returned directly to the Council's Appointed External Audit Provider.
- b.3 To effect all borrowings in the name of the Council.
- b.4 To act as the Council's registrar of stocks, bonds, and mortgages, and to maintain records of all borrowing of money by the Council.

Responsibilities of Strategic Directors

- b.5 To ensure that no loans are made to third parties and no interests are acquired in companies, joint ventures, or other enterprises without the approval of the Council, following consultation with the Director of Finance.

C Trust Funds and Funds held for Third Parties

Responsibilities of Strategic Directors

- c.1 To arrange that all trust funds are in the name of the Council. Trust funds should not be held in the name of individual officers. All officers acting as trustees by virtue of their official position shall deposit securities etc. relating to the trust with the Director of Finance/Director of Legal Services unless the deed otherwise provides.
- c.2 To arrange, where funds are held on behalf of third parties, for their secure administration, approved by the Director of Finance and maintain written records of all transactions.
- c.3 To ensure that trust funds are operated within any relevant legislation and the specific requirements for each trust, and to contact the Director of Legal Services as appropriate.

D Imprest Accounts

Responsibilities of Director of Finance

- d.1 To provide employees of the Council with cash or bank imprest accounts to meet minor expenditure on behalf of the Council and to prescribe rules for operating these accounts.
- d.2 To maintain a record of all petty cash advances made and periodically review the arrangements for the safe custody and control of these advances.
- d.3 To reimburse imprest holders as often as necessary to restore the imprest but normally not more than monthly.

Responsibilities of Strategic Directors

- d.4 To ensure that employees operating an imprest account:
 - (a) obtain and retain vouchers and receipts to support each payment from the imprest account. Where appropriate an official receipted VAT invoice must be obtained;
 - (b) make adequate arrangements in their office for the safe custody of the account;
 - (c) produce upon demand by the Director of Finance, 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 or recorded within the Council's electronic imprest system;
 - (f) do not overdraw the imprest bank account,
 - (g) provide the Director of Finance with a certificate of the value of the account held at 31 March each year or report on balances held on the electronic system certified accordingly;
 - (h) ensure that the imprest is never used to cash personal cheques or to make personal loans and that the only payments into the account are the reimbursement of any surplus monies remaining from purchases which have been funded by an advance;
 - (i) operate in accordance with Section 115 of the Local Government Act 1972 whereby any officer employed by the Council shall at such times during the continuance of his/her office or within three months of ceasing to hold it, and in such a manner as the Council may direct, make out and deliver to the Council a true account in writing of all money and property committed to his/her charge, and of his/her receipts and payments with vouchers and other documents and records supporting the entries contained, and a list of persons from

whom or to whom money is due in connection with this office, showing the amount due from or to each;

- (j) do not purchase goods on behalf of the Council using a personal store/loyalty card;
- (k) no payment is made from an imprest account to fund the purchase of foreign currency for the purposes of defraying expenditure in connection with authorised overseas visits. Any foreign currency requirements should be processed by the Director of Finance and obtained from the Investments Section who will obtain the appropriate currency;
- (l) all discrepancies on imprest accounts should be taken seriously. Where there is any suspicion that the discrepancy is a result of theft or fraudulent activity, this must be reported to the Head of Audit Services immediately;
- (m) where concerns relate to the operation and management of the account, the discrepancy should be investigated by relevant departmental finance staff. However if concerns arise during this review, that there may be potential dishonesty/fraudulent activity, the matter must be reported to the Head of Audit Services immediately;
- (n) any imprest account imbalances may only be written-off by the Strategic Director after the discrepancy has been investigated.

E Money Laundering Regulations and Proceeds of Crime Act

- e.1 Money laundering is a term used for a number of offences involving the proceeds of crime or terrorist funds. It also includes the processing, or in any way dealing with, or concealing, the proceeds of crime.
- e.2 The Proceeds of Crime Act 2002 and Money Laundering Regulations 2007 place specific obligations on employees responsible for handling and processing cash transactions.

Key controls

- e.3 It is Council policy not to accept individual cash payments of more than £10,000.
- e.4 Individual cash payments which exceed £2,500 must not be accepted without seeking guidance from the Council's nominated anti-money laundering officer.
- e.5 Where the transaction is under £2,500 and there are reasonable grounds to suspect money laundering activities, proceeds of crime or it is suspicious, the matter must be reported to the Council's nominated anti-money laundering officer.

Responsibilities of Director of Finance

- e.6 The Director of Finance should ensure that appropriate arrangements are in place to inform and provide training to all relevant Officers in respect of the requirements placed upon them by this legislation. He/she will also determine and maintain appropriate internal reporting procedures including the nomination of an Officer whose job is to receive disclosures from anyone in the organisation who is suspicious of money laundering and report this to the National Criminal Intelligence Service.

Responsibilities of Strategic Directors

- e.7 Strategic Directors should ensure that all employees are made aware of the Anti-Money Laundering Policy and receive appropriate training on their obligations under the Proceeds of Crime Act 2002 and Money Laundering Regulations 2007 and the duty to notify the Director of Finance of any known or suspected money laundering activities.

6 EMPLOYEES

Objectives

- 1 In order to provide the highest level of service, it is essential that the Council recruits and retains high calibre, knowledgeable employees, qualified to an appropriate level. An appropriate Human Resources Strategy and policies should exist, in which HR requirements and budget allocation should be matched.

Key controls

- 2 The key controls for human resources are:
 - (a) that workforce planning is in place for forecasting HR requirements and cost,
 - (b) that procedures are in place for monitoring employee expenditure against budget,
 - (c) that controls are implemented which ensure that employee time is used efficiently and benefits the Council.

Responsibilities of Director of Human Resources

- 3 To act as an advisor to Strategic Directors on areas such as PAYE, National Insurance and pension contributions as appropriate.

Responsibilities of Strategic Directors

- 4 To monitor employee activity to ensure the maintenance of adequate control over such costs as sickness, overtime, training and temporary employment costs.
- 5 To ensure that effective management and supervision protocols exist to validate the accuracy and integrity of working times recorded and expenses claimed.
- 6 To ensure that the requirements of the Recruitment and Selection Policy in respect of the validation of qualifications claimed and references regarding previous employment are followed. Similarly that for all posts requiring Disclosure and Barring Service checks, these checks are completed prior to the employee taking up appointment and appropriate evidence retained.

ANNEX 4: SYSTEMS AND PROCEDURES

- 1 General
- 2 Income
- 3 Payments to Members and employees
- 4 Ordering and paying for work, goods and services
- 5 Taxation
- 6 Trading accounts and business units

1 GENERAL

Objectives

- 1 Strategic Directors operate many systems and procedures relating to the control of the Council's assets, including purchasing, costing and management systems. Departments are reliant on IT for their financial management information. The information must therefore be accurate and the systems and procedures sound and well administered. They should contain controls to ensure that transactions are properly processed and errors detected promptly.
- 2 The Director of Finance has a professional responsibility to ensure that the Council's financial systems are sound and therefore the Head of Audit Services must be consulted on any new developments or proposed changes, and will assess the potential impact of such changes on the Internal Control Framework and report to the Director of Finance, raising any concerns as appropriate. The Director of Finance will then formally consider the proposed changes. No changes may be actioned without the formal approval of the Director of Finance.

Key Controls

- (a) basic data exists to enable the Council's objectives, targets, budgets and plans to be formulated,
- (b) performance is communicated to the appropriate managers on an accurate, complete and timely basis,
- (c) early warning is provided of deviations from target, plans and budgets that require management attention,
- (d) operating systems and procedures are secure,
- (e) an on-going audit of the Council's activities and control systems both financial and operational is maintained.

Responsibilities of Director of Finance/Head of Audit Services

- 3 To make arrangements for the proper administration of the Council's financial affairs, including to:
 - (a) issue advice, guidance and procedures for the Council's Members, Officers and others acting on its behalf (Director of Finance),
 - (b) determine the accounting systems, form of accounts and supporting financial records (Director of Finance),
 - (c) review any proposed changes to existing financial and/or control systems or the establishment of new systems and consider the potential impact on the Internal Control Framework and report to the Director of Finance raising any concerns (Head of Audit Services). The Director of Finance will then formally consider the proposed changes.

No changes may be actioned without the formal approval of the Director of Finance.

- (d) agree the Departmental Scheme of Delegation proposed by Strategic Directors annually.

Responsibilities of Strategic Directors

- 4 To ensure that accounting records are properly maintained and held securely.
- 5 To ensure that vouchers and documents with financial implications are retained in accordance with arrangements approved by the Director of Finance.
- 6 To ensure that a complete audit trail, allowing financial transactions to be traced from the original document to the accounting records and vice versa, is maintained.
- 7 To incorporate appropriate controls to ensure that:
 - (a) all input is genuine, complete, accurate, timely and not previously processed,
 - (b) all processing is carried out in an accurate, complete and timely manner,
 - (c) output from the system is complete, accurate and timely.
- 8 To ensure that the organisational structure provides an appropriate segregation of duties to provide adequate internal controls and minimise the risk of fraud or other malpractice.
- 9 To ensure there is a documented and tested disaster recovery plan to allow information system processing to resume quickly in the event of an interruption.
- 10 To ensure that all business critical systems are identified, documented and appropriate officers trained in their operation.
- 11 To consult with the Head of Audit Services before changing any existing system or introducing new systems.
- 12 To establish a scheme of delegation identifying officers authorised to act upon the Strategic Director's behalf in respect of payments, income collection, imprest accounts and placing orders, including variations and determining the limits of their authority. The scheme of delegation should be reviewed and updated annually.
- 13 To supply lists of authorised officers, with specimen signatures and delegated limits, to the Director of Finance, together with any subsequent variations.
- 14 To ensure that effective contingency arrangements, including back up procedures, exist for computer systems. Wherever possible, back up

information should be securely retained in a fireproof location, preferably off site, or in an alternative location within the building.

- 15 To ensure that, where appropriate, all systems containing personal data are identified and registered in accordance with the Data Protection legislation and that staff are aware of their responsibilities under the legislation.
- 16 To ensure that relevant standards and guidelines for computer systems issued by the Director of Transformation are observed.
- 17 To ensure that computer equipment and software are protected from loss and damage through theft, vandalism etc.
- 18 To comply with the Copyright, Designs and Patents Act 1988 and in particular, ensure that:
 - (a) only software legally acquired and installed by the Council is used on its computers and appropriate licences are retained,
 - (b) staff are aware of legislative provisions,
 - (c) in developing systems, due regard is given to the issue of intellectual property rights.
- 19 To ensure that employees are aware of their obligations to comply with and observe electronic access controls, maintain security and confidentiality of electronic identifiers and passwords and their duty to comply with the requirements of the Computer Misuse Act 1990.

2 INCOME

Objectives

- 1 Income can be a vulnerable asset and effective income collection systems are necessary to ensure that all of the income due is identified, collected, receipted and banked promptly and properly.

Key Controls

- 2 The key controls for income are:
 - (a) all income due to the Council is identified and charged correctly,
 - (b) all income is collected from the correct person, at the right time using the correct procedures and the approved recording systems,
 - (c) all money received by an employee on behalf of the Council is paid intact and without delay to the Director of Finance or as he/she directs, to the Council's bank, and properly recorded,
 - (d) effective action is taken to pursue non-payment within defined timescales,
 - (e) the County Council does not accept individual cash payments with a value in excess of £10,000,
 - (f) formal approval for write off is obtained:
 - amounts up to £3,000 may be written off by the Strategic Director,
 - between £3,000 and £5,000 by the Responsible Cabinet Member,
 - above £5,000 by the Cabinet,
 - (g) the Director of Human Resources is authorised to write off salary overpayments up to the value of £3,000 after agreement by the Strategic Director,
 - (h) appropriate write off action is taken within defined timescales,
 - (i) appropriate financial provisions are made for bad or doubtful debts,
 - (j) appropriate accounting adjustments are made following write off action,
 - (k) all appropriate income documents are retained and stored for the defined period in accordance with the "Guidelines on the Retention of Financial Records".

Responsibilities of Director of Finance

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

- 4 To approve all receipt forms, books or tickets and similar items and satisfy him/herself regarding the adequacy of the arrangements for their control and safe storage, including electronic storage media.
- 5 To ensure that the approval of the Cabinet for writing off bad debts in excess of £5,000 has been obtained.

Responsibilities of Strategic Directors

- 6 To establish a charging policy for the supply of goods or services, including the appropriate charging of VAT and review it at least annually, within corporate policies.
- 7 To separate the responsibility for identifying amounts due and the responsibility for collection, as far as is practicable.
- 8 To establish and initiate appropriate recovery procedures, including legal action where necessary, for debts which are not paid promptly.
- 9 To ensure that invoices are accurate and issued promptly within a target maximum of 14 days from provision of service. Strategic Directors have a responsibility to collect debts and to provide any information requested by the Director of Finance/Director of Legal Services to enable debts to be pursued effectively on the Council's behalf.
- 10 To officially record income collected using the approved system(s).
- 11 At all points where it is reasonable to expect that postal remittances may be received to ensure that at least two employees are present when post is opened so that money received by post is properly identified and recorded.
- 12 To hold securely receipts, tickets and other records of income, for six years plus the current accounting year in line with statutory requirements.
- 13 To process and maintain debit/credit card details in accordance with approved procedures and ensure compliance with the Payment Card Industry (PCI) Security Standards.
- 14 To ensure all income collected is held securely in locked storage to safeguard against loss or theft and to ensure the security of cash handling.
- 15 To ensure that income is paid intact and promptly into the appropriate Council bank account in the form in which it is received. Appropriate details should be recorded on paying in slips to provide an audit trail.
- 16 To ensure income is not used to cash personal cheques or other payments.
- 17 To keep a record of every transfer of official money between employees of the Council. The receiving officer must sign for the transfer and the transferor must retain a copy.
- 18 To write off debts up to the agreed limit of £3,000, and to keep a record of all sums so written off. In no case will the officer raising the debt be empowered

to authorise its writing off. Once raised, no bona fide debt can be cancelled except by payment in full, its formal writing off or in the form of an allowance adjustment under procedures agreed with the Director of Finance.

- 19 To obtain Cabinet Member approval when writing off debts between £3,000 and £5,000.
- 20 To obtain Cabinet approval when writing off debts in excess of £5,000.
- 21 To ensure that appropriate accounting adjustments are made following write-off action and that appropriate provisions are made for bad or doubtful debts and agreed with the Director of Finance.
- 22 To ensure that a report of all debts written off is produced in the standard summary format and passed to the responsible Cabinet Member at six monthly intervals.
- 23 To notify the Director of Finance of outstanding income relating to the previous financial year as soon as possible after 31 March in line with the timetable determined by him and not later than 30 April.
- 24 To minimise administration costs by limiting the issue of an invoice to sums of £25 and above unless a lower limit is agreed with the Director of Finance. Sums due below this level should be collected prior to service delivery in accordance with procedures agreed with the Director of Finance.

3 PAYMENTS TO MEMBERS AND EMPLOYEES

Objectives

- 1 Employee costs are the largest item of expenditure for most Council services. It is, therefore, important that there are effective controls in place to ensure that payments are made only where they are due for services to the Council and that payments accord with individual's conditions of employment.

Key Controls

- 2 The key controls for payments to Members and employees are:
 - (a) proper authorisation procedures and adherence to corporate timetables for:
 - Starters,
 - Leavers,
 - Variations,
 - Enhancements.
 - (b) frequent reconciliation of payroll expenditure against approved budget
 - (c) all appropriate payroll documents are retained and stored for the defined period in accordance with the "Guidelines on the Retention of Financial Records".

Responsibilities of Director of Human Resources

- 3 To arrange and control secure and reliable payment of salaries, wages, compensation or other emoluments to existing and former employees in accordance with procedures prescribed by him/her, on the due date.
- 4 To ensure these entries are entered into the accounting systems in a form prescribed by the Director of Finance.
- 5 To record and monitor tax, superannuation and other deductions.
- 6 To make arrangements for payment of all travel and subsistence claims to Officers.
- 7 To make arrangements for payment of all travel and subsistence claims to Members after receipt of the duly authorised form from the Director of Finance.
- 8 To provide advice and encouragement to secure payment of salaries and wages by most economical means.
- 9 Recovery of overpayments of salary for employees and pensioners.

Responsibilities of Director of Finance

- 10 To make arrangements for paying Members travel or other allowances upon receiving the prescribed form duly completed and authorised.
- 11 To reconcile all payroll entries into the accounting system on a monthly basis.
- 12 To determine the form which entries from the payroll system should take when posted into the accounting system.

Responsibilities of Strategic Directors

- 13 To ensure appointments are made in accordance with the regulations of the Council and approved establishments, grades, scale of pay and that adequate budget provision is available.
- 14 To notify the Director of Human Resources of all appointments, terminations, or variations which may affect the pay or pension of an employee or former employee, in the form and to the timescale required by the Director of Human Resources.
- 15 To ensure that adequate and effective systems and procedures are operated for HR and payroll aspects, so that:
 - (a) payments are only authorised to bona fide employees,
 - (b) payments are only made where there is a valid entitlement,
 - (c) conditions and contracts of employment are correctly applied,
 - (d) employees' names listed on the payroll are checked at regular intervals to verify accuracy, completeness and continued employment,
 - (e) there is an effective system of checking and certifying payroll forms.
- 16 To maintain up to date lists of the names of officers authorised to sign records, a copy of which should be forwarded to the Director of Human Resources, together with specimen signatures.
- 17 To ensure that payroll transactions are processed only through the payroll system. Strategic Directors should seek advice from the Director of Human Resources in respect of the employment status of individuals employed on a "self-employed or sub contract" basis. HM Revenue & Customs applies a tight definition for employee status and in cases of doubt, advice should be sought from the Director of Human Resources/Director of Legal Services.
- 18 To certify travel and subsistence claims and other allowances. Certification is taken to mean that journeys were pre-authorised, related to official business and expenses actually, properly and necessarily incurred and that allowances are properly payable by the Council, ensuring that cost-effective use of travel arrangements is achieved. Due consideration should be given to tax implications and the Director of Human Resources is informed where appropriate. Full details on the claiming of expenses by employees can be found in the "Administrative Document Officers' Travelling and Subsistence Expenses".

- 19 To ensure that the details of any employee benefits in kind are notified to the Director of Human Resources to enable full and complete reporting within the Income Tax Self-Assessment system.
- 20 To ensure that all appropriate payroll documents are retained and stored for the defined period in accordance with the "Guidelines on the Retention of Financial Records".

Responsibilities of Members

- 21 To submit claims for Members' travel, subsistence and dependant carers' allowances on a monthly basis and in any event, within one month of the financial year end.

4 ORDERING AND PAYING FOR WORK, GOODS AND SERVICES

Objectives

- 1 Public money should be spent with demonstrable probity and in accordance with the Council's policies. The Council's procedures should help to ensure that services receive VfM in their purchasing arrangements. These procedures should be read in conjunction with the Council's Standing Orders Relating to Contracts and the Derbyshire Codes of Conduct.

General

- 2 Every Member and Officer of the Council has a responsibility to declare any links or personal interests which they may have with purchasers or suppliers and/or contractors if they are engaged in contractual or purchasing decisions on behalf of the Council.
- 3 Official orders, whether electronic or paper based, must be in a form approved by the Director of Finance. Official orders must be issued for all work, goods or services to be supplied to the Council except for supplies of utilities, periodic payments such as rent or rates, petty cash purchases or other exceptions specified by the Director of Finance.
- 4 Each order must conform to the directions of the Council on procurement and the standardisation of supplies and materials. Standard terms and conditions must not be varied without the prior approval of the Director of Finance.
- 5 Apart from petty cash and schools' own bank accounts the normal method of payment of money due from the Council shall be by BACS transfer. Payments can be made by cheque or other instrument but this will be a small proportion of total payments. The use of direct debit and other forms of payment methods shall require the individual, prior agreement of the Director of Finance.
- 6 Official orders must not be raised for any personal or private purchases, nor should personal or private use be made of Council contracts.

Key controls

- 7 The key controls for ordering and paying for work, goods and services are:
 - (a) all goods and services are ordered only by appropriate persons using approved electronic ordering systems. In emergencies, manual orders can be used;
 - (b) all goods and services shall be ordered in accordance with the Council's Standing Orders Relating to Contracts/Procurement Strategy;
 - (c) goods and services received are checked on receipt to ensure they are in accordance with the order and receipted wherever the electronic system used for ordering allows;

- (d) payments are authorised by officers who can certify that goods received conform to price, quantity and quality;
- (e) in normal circumstances the process of ordering, receipt of goods/services and authorisation of payment will be carried out by separate officers to maintain adequate separation of duties;
- (f) all payments are made to the correct person, for the correct amount and are properly recorded, regardless of the payment method;
- (g) all appropriate payment documents are retained and stored for the defined periods in accordance with the Council's 'Guidelines on the Retention of Financial Records';
- (h) all expenditure, including VAT, is accurately recorded against the appropriate budget head and any exceptions corrected;
- (i) all references in this section of the regulations should be taken to include, and apply equally to e-commerce transactions. The advent of this element of the Council's operations requires that processes are in place to maintain the security and integrity of data for transacting business electronically; and
- (j) during an emergency or business continuity event it may become necessary to procure supplies at short notice or to place orders with suppliers who are not already approved by the Council. Further details on these arrangements can be found in the Council's Corporate Business Continuity Plan on Dnet.

Responsibilities of Director of Finance/Head of Audit Services

- 8 To ensure that all of the Council's financial systems and procedures are sound and well administered.
- 9 The Head of Audit Services will review any proposed changes to existing financial and/or control systems or the establishment of new systems and consider the potential impact on the Internal Control Framework and report to the Director of Finance raising any concerns. The Director of Finance will then formally consider the proposed changes. No changes may be actioned without the formal approval of the Director of Finance.
- 10 To approve the form of official orders, and associated terms and conditions (Director of Finance).
- 11 To make payments, whether or not provision exists within the estimates, where the payment is specifically required by statute or is made under a court order (Director of Finance).
- 12 To make payments to contractors on the certificate of the appropriate Strategic Director, which must include details of the value of work, retention money, amounts previously certified and amounts now certified (Director of Finance). The Director of Finance can set tolerances which will be monitored.

- 13 To provide advice and support on making payments by the most economical means (Director of Finance).

Responsibilities of Strategic Directors

- 14 To ensure that all contracts have been awarded and expenditure has been approved in accordance with the Procurement and Award Procedures set out in Appendix A of these Regulations.
- 15 To ensure that employees comply with these Procurement requirements and are aware of their responsibilities under the Council's Code of Conduct.
- 16 Official orders shall be in a form approved by the Director of Finance and shall be signed personally either manually or by secure electronic protocols by the Strategic Director or by officers authorised by him/her. Responsibility for orders lies with the Strategic Director.
- 17 To ensure that uniquely numbered orders are used for all goods and services.
- 18 To ensure that all orders are placed using properly approved systems and to refer any proposed changes to existing financial systems or the implementation of new systems to the Head of Audit Services before they are introduced. Where orders are produced in a printed format they are controlled stationery and should be retained securely when not in use.
- 19 To ensure that where the Corporate credit card is available to employees it is controlled, used and maintained in accordance with procedures that have been agreed by the Director of Finance.
- 20 Procurement cards may be used only in accordance with guidelines produced by the Director of Finance.
- 21 To ensure that orders are only used for goods and services provided to the County Council. Individuals must not use official orders to obtain goods or services for their private use.
- 22 To ensure that only those employees authorised by the Strategic Director sign orders and to maintain an up-to-date list of such authorised employees:
- including specimen signatures where paper based systems are used, or
 - reports of access privileges for all users of electronic systems identifying in each case the limits of their authority.
- 23 The signatory of the order should be satisfied that the goods and services ordered are appropriate and needed, that there is adequate budgetary provision and that quotations or tenders have been obtained as required by standing orders and good procurement practice. VfM should always be taken into consideration.
- 24 To ensure that a budgetary control system is established which enables commitments incurred by placing orders to be shown against the appropriate budget allocation so that it can be taken into account in budget monitoring reports.

- 25 To ensure that goods and services are checked on receipt to validate that they are in accordance with the order, and that the order whether paper or electronic is endorsed 'goods received' and dated. A different officer from the person who signed the order should carry out this check. Appropriate entries will then be made in inventories or stores records.
- 26 To ensure that payment is not made unless a proper invoice has been received, checked, coded and certified for payment and the order endorsed 'passed for payment' and dated to confirm:
- (a) receipt of goods or services (payment should not be made in advance of goods being received unless specific prior approval is given);
 - (b) that the invoice has not previously been paid;
 - (c) that expenditure has been properly incurred and is within budget provision;
 - (d) that prices are correct and accord with quotations, tenders, contracts or catalogue prices;
 - (e) that the invoice is arithmetically correct;
 - (f) the correct accounting treatment of any relevant tax;
 - (g) the invoice is correctly coded;
 - (h) discounts have been taken where available; and
 - (i) that appropriate entries will be made in accounting records.
- 27 To ensure that an authorised employee who should be a different officer from the person who authorised the order, and in every case a different officer from the person certifying that the checks detailed at 26 above have been completed, authorises invoices.
- 28 To ensure that the Department maintains and reviews periodically a list of staff approved to certify and authorise invoices. Names of authorising officers together with specimen signatures (or lists of access privileges) and details of the limits of their authority shall be forwarded to the Director of Finance.
- 29 Payment should not routinely be made on a photocopied or faxed invoice, statement or other document other than the formal invoice unless specific prior approval has been obtained. Any instances of these being rendered should be reported to the Head of Audit Services.
- 30 To encourage suppliers of goods and services to receive payment by the most effective means for the Council. Payments should, however, not be made by direct debit unless essential and with the prior approval of the Director of Finance.
- 31 To ensure that the department obtains best value for money from purchases by utilising the Council's approved procurement procedure taking, where

appropriate, steps to obtain competitive prices for goods and services of the appropriate quality, with regard to the guidelines and best practices issued by the Director of Finance.

- 32 To operate within the County Council's approved Procurement Strategy and procedures ensuring that for appropriate purchases competitive quotations or tenders are sought. These will comply with Standing Orders in Relation to Contracts, which covers:
- (a) authorised officers and the extent of their authority;
 - (b) advertisement for competitive tenders or seeking quotations through the Source Derbyshire website and in additional publications when appropriate;
 - (c) selection of tenderers;
 - (d) compliance with UK and EU legislation and regulations;
 - (e) procedures for the submission, receipt, opening and recording of tenders;
 - (f) the circumstances where financial or technical evaluation is necessary;
 - (g) procedures for negotiation;
 - (h) acceptance of tenders;
 - (i) the form of contract documentation;
 - (j) cancellation clauses in the event of corruption or bribery; and
 - (k) contract records.
- 33 To ensure that all employees are aware of the Council's Code of Conduct.
- 34 All acquisitions and disposals of land and/or buildings (whether by leasing, rental or any other means) shall be negotiated and agreed by the Director of Property and Director of Legal Services.
- 35 To ensure that no loan, leasing or rental arrangements are entered into without prior agreement from the Director of Finance. This is because of the potential impact on the Council's borrowing powers, to protect the Council against entering into unapproved credit arrangements and to ensure value for money is being obtained.
- 36 To notify the Director of Finance of outstanding expenditure relating to the previous financial year as soon as possible after 31 March in line with the timetable determined by him/her and in all cases by no later than 30 April.
- 37 With regard to contracts for construction and alterations to buildings and for civil engineering works, to document and agree with the Director of Finance, the systems and procedures to be adopted in relation to financial aspects, including certification of interim and final payments, checking, recording and

authorising payments, the system for monitoring and controlling capital schemes and the procedures for validation of sub contractors' tax status.

- 38 To notify the Director of Finance immediately of any expenditure to be incurred as a result of statute/court order where there is no budgetary provision.
- 39 To ensure that all appropriate payment records are retained and stored for the defined periods in accordance with the "Guidelines on the Retention of Financial Records."
- 40 Employees should not make official purchases using personal credit/debit cards for which they subsequently seek reimbursement from the County Council as this circumvents the requirement for pre-authorisation by an independent party and negates the requirement to demonstrate best value in relation to these purchases. Similarly personal store account cards/loyalty cards held in the name of private individuals should not be used in connection with County Council purchases.

5 TAXATION

Objectives

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

Key controls

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

Responsibilities of Director of Finance

- 3 To complete a monthly return of VAT input and outputs to HM Revenue & Customs.
- 4 To provide monthly and annual returns to HM Revenue & Customs regarding the Construction Industry Tax Deduction Scheme:
- 5 To maintain up to date guidance for Council employees on taxation issues in the VAT Manual.
- 6 To account for tax in connection with pension fund investments, including overseas tax.

Responsibilities of Director of Human Resources

- 7 To complete all HM Revenue & Customs returns regarding PAYE.

Responsibilities of Strategic Directors

- 8 To ensure that the correct VAT liability is attached to all income and that all VAT recoverable on purchases complies with HM Revenue & Customs Regulations.
- 9 All new proposals to generate income must be notified to the Corporate Accountancy VAT Officer to ensure that the VAT implications are evaluated and addressed.

- 10 All coding slips on creditor invoices, bank paying in slips and debtor accounts must be completed in accordance with instructions.
- 11 VAT on expenditure from imprest accounts can only be recovered if VAT receipts are obtained and included with reimbursement claims.
- 12 To ensure that, where construction and maintenance works are undertaken, the contractor fulfils the necessary Construction Industry Tax Deduction requirements.
- 13 To ensure that all persons employed by the Council are added to the Council's payroll and tax deducted from any payments, except where the individuals are bona-fide self-employed or are employed by a recognised employment agency. All payments to employees must be made through the payroll system, except with the explicit approval of the Director of Finance.
- 14 To follow the guidance on taxation issued by the Director of Finance in the VAT Manual. The VAT Manual is widely distributed and advice on any matter can be obtained from the Corporate Accountancy VAT Officer.

ANNEX 5: EXTERNAL ARRANGEMENTS

- 1 Partnerships
- 2 External funding
- 3 Work for third parties

1 PARTNERSHIPS

Objectives

- 1 Local Authorities work in partnership with the wider public and voluntary sectors and private providers.

PARTNERSHIPS - GENERAL

- 2 A partnership is “an agreement between two or more independent bodies working collectively to achieve an objective”, as a joint arrangement not as a single entity.
- 3 The main reasons for entering into a partnership are to achieve the aims and objectives of the Council by the most effective means. This will include:
 - (a) improving service delivery by maximising and sharing the use of resources,
 - (b) fulfil the Council’s role as a community lead,
 - (c) meet the Council’s statutory requirements,
 - (d) the desire to find new ways to share risk,
 - (e) the ability to access new resources,
 - (f) to forge new relationships.
- 4 A partner is defined as either:
 - (a) an organisation (private, voluntary or public) undertaking, part funding or participating as a beneficiary in a project, or
 - (b) a body whose nature or status give it a right or obligation to support the project.
- 5 Partners participate in projects by:
 - (a) acting as a project deliverer or sponsor, solely or in concert with others,
 - (b) acting as a project funder or part funder in the provision of financial or other resources,
 - (c) being the beneficiary group of the activity undertaken in a project.
- 6 Partners have common responsibilities:
 - (a) to be willing to take on a role in the broader programme appropriate to the skills and resources of the partner organisation,
 - (b) to act in good faith at all times and in the best interests of the partnership’s aims and objectives,

- (c) to be open about any conflict of interests which might arise,
- (d) to encourage joint working between themselves, promote the sharing of information, resources and skills between public, voluntary, private and community sectors,
- (e) to maintain the confidentiality of information received as a result of partnership activities or duties, and to recognise that such information may be of a personal/commercially sensitive nature,
- (f) to act wherever possible as ambassadors for the project,
- (g) to act at all times in accordance with the terms and conditions of the partnership agreement and within the broader requirements of demonstrable probity both in terms of personal conduct and stewardship of public funds.

Key controls

7 The key controls for Council partnerships are:

- (a) each proposed partnership should be subject to a risk assessment and allocated a risk ranking,
- (b) where the partnership has been given a risk ranking of High or Medium this must be justified by a formal business case and be subject to a formal legal arrangement,
- (c) to be aware of the nature of the partnership, and, for individual officers to be aware of their personal responsibilities and delegated authority as regards the partnership, under the Council's Financial Regulations and Standing Orders in Relation to Contracts,
- (d) to agree and formally document the roles and responsibilities of each of the partners involved in the project before its commencement,
- (e) all partnerships should be formed in accordance with agreed criteria and after proper legal consultation and should accord with guidance stipulated in the Council's Partnership Development Toolkit,
- (f) a formal register should be maintained which details, in respect of all partnerships in which the Council participates:
 - its aims and objectives,
 - its approved duration,
 - the Council's commitment in terms of finance and other resources,
 - the accountable organisation for the partnership,
 - the framework by which the performance of the partnership is to be monitored,
 - the Council's exit strategy on completion or termination of the partnership.

- (g) Auditing arrangements must include, as a minimum, guaranteed rights of access for the County Council's auditors at all times to all documents, records, premises and those employees who relate to, or are provided by, the Council's contributions to the partnership.

Responsibilities of Director of Finance

- 8 To advise on the effectiveness of the proposed framework of controls and responsibilities within the operation of the partnership.
- 9 To advise on the key elements of funding a project:
- (a) risk assessment and scheme appraisal for financial viability,
 - (b) accounting and audit requirements.
- 10 Arrange for internal or external audit scrutiny as appropriate.

Responsibilities of Chief Executive and Director of Legal Services

- 11 The Chief Executive and Director of Legal Services must:
- (a) establish, maintain and review the legal framework for the County Council's participation in partnership working,
 - (b) ensure that all proposed partnership arrangements are:
 - within the County Council's powers,
 - the subject of a legal agreement in an approved form,
 - adequately defined by the agreement's terms and conditions,
 - subject to adequate insurance cover for any liability of the proposed partnership which may rest with the County Council,
 - financially viable,
 - open and promote active decision-making.
 - (c) a constitution exists which clarifies:
 - the aims and objectives of the partnership,
 - each partner's responsibility in terms of financial liability,
 - asset ownership issues resulting from the partnership,
 - each partner's responsibilities in respect of any employees employed for the purpose of the partnership,
 - security and confidentiality of information and the extent of any data sharing including requirements under the Freedom of Information Act,
 - the roles and responsibilities of individual partner bodies,
 - the regulatory framework for the partnership,
 - the exit strategy on cessation of the partnership including any liabilities then arising,
 - arbitration/conciliation arrangements in the event of dispute.

Responsibilities of Strategic Directors

- 12 To ensure that the approval of the Cabinet is obtained before any negotiations are entered into with regard to proposed partnership arrangements and that a risk assessment of the proposed partnership has been undertaken.
- 13 To maintain the central register of all partnership arrangements entered into in accordance with procedures specified by the Director of Finance and which contains as a minimum the details specified at paragraph 7(f) above.
- 14 To ensure that accountability frameworks are specified within a written agreement with all partners. This will include agreements regarding prevention and addressing of overspendings; covering inflation; managing efficiency savings; and other resource or financial issues.
- 15 To account for any contributions to pooled budgets and where the Council is the Budget Holder, maintain accounts in accordance with the agreed budget arrangements, the Council's accounting policies and procedures and the requirements of these regulations.
- 16 To ensure that all partnership agreements include adequate provision for internal and external financial monitoring of their operation, and that these provisions meet internal and external needs.
- 17 To ensure that all financial records relating to the Council's participation in the partnership are retained as required by the Council's Document Retention requirements.
- 18 To ensure that the Chief Executive and Director of Legal Services have been consulted on and given approval to the proposed contractual arrangements for the partnership before any legal commitment is signed.
- 19 To ensure that there are sufficient, available levels of expertise, employees and resources to meet the obligations imposed by the partnership agreement.
- 20 To ensure compliance with the required control frameworks including these regulations with regard to any partnership initiatives.
- 21 To ensure that the performance of the partnership against its key aims and objectives, as identified in the partnership register, is regularly monitored and reported.
- 22 To ensure that an exit strategy is in place, to safeguard the County Council on completion or termination of the contract/partnership.

2 EXTERNAL FUNDING

Objectives

- 1 As local authorities are encouraged to provide 'seamless' service delivery through working closely with other agencies, voluntary organisations and private sector providers, the scope for external funding has increased. However, such funding is often linked to specific objectives which may not be sufficiently flexible to link with the Council's overall plan. Therefore funding conditions need to be carefully considered to ensure that they are compatible with the aims and objectives of the Council.

Key controls

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

Responsibilities of Chief Executive and Director of Legal Services

- 3 To provide guidance on potential grant funded activities, ensure that they support priorities identified by Council and are within the legal powers of the Council.

Responsibilities of Director of Finance

- 4
 - (a) To maintain a record of expected grants to be received showing the amount of grant, receipt date(s) and designated responsible officer in consultation with Strategic Directors,
 - (b) To ensure that all funding notified by external bodies is received and properly recorded in the Council's accounts,
 - (c) To ensure that Strategic Directors make grant claims by the due date,
 - (d) To identify the long-term implications of funding arrangements and ensure that these are considered prior to entering into any agreements,
 - (e) To investigate ways of maximising grant income,
 - (f) To ensure that the requirements of these Regulations including audit arrangements are met.

Responsibilities of Strategic Directors

- 5 To provide plans which demonstrate how the grant funds will be used to support service plan objectives and any conditions attached to that funding.
- 6 To ensure that all expenditure is properly incurred and recorded, that income is received at the appropriate time, returns are made by the specified dates, and in liaison with the Head of Audit Services that the audit requirements of the funding body can be met.
- 7 To ensure compliance with Financial Regulation 2A 13(v) (Revenue Budget) which requires that an exit strategy is in place and is implemented on the cessation of external funding.
- 8 To ensure that all required approvals are obtained before external funding agreements are entered into.
- 9 To maintain an up to date departmental record of all external funding sources.

3 WORK FOR THIRD PARTIES

Objectives

- 1 Current legislation enables the Council to provide a range of services to certain other bodies. Such work may enable the Council to maintain economies of scale and retain existing expertise. Arrangements should be in place to ensure that any risks associated with this work are minimised.

Key controls

- 2 To ensure that proposals are properly costed, self-financing and are not at variance with the Council's Plans or Policies.
- 3 To ensure that contracts are drawn up using guidance provided by the Director of Legal Services and that the formal approvals process is adhered to. Where appropriate the Council should be protected against potential losses/claims by an appropriate level of professional indemnity insurance in line with the service to be provided.

Responsibilities of Strategic Directors

- 4 To ensure that the approval of the Cabinet is obtained before any negotiations are concluded to undertake work greater than £100,000 in value for third parties. Cabinet Member approval is required for work with a value between £20,000 and £100,000. Strategic Directors may authorise work up to the value of £20,000.
- 5 To ensure that the department has all necessary skills and expertise to discharge the requirements placed upon it by the contract.
- 6 To ensure that all contracts are properly executed and that all appropriate documentation exists.
- 7 To maintain a register of all contracts entered into with third parties in accordance with procedures specified by the Director of Legal Services.
- 8 To ensure that appropriate insurance cover is effected.
- 9 To ensure that adequate arrangements are in place for prompt and accurate billing of any service provided.
- 10 To ensure that the Council is not put at risk from any bad debts.
- 11 To ensure that such contracts are not subsidised by the Council.
- 12 To ensure that such contracts do not impact adversely upon the services provided for the Council.
- 13 To provide all appropriate information to the Director of Finance to enable a note to be entered into the Statement of Accounts.

4 GRANTS TO EXTERNAL ORGANISATIONS

Objectives

- 1 The Council provides grants to external organisations

Key controls

- 2 Cabinet Members will approve grants to external organisations up to £100,000. Any grants over £100,000 require Cabinet authorisation.

Responsibilities of Strategic Directors

- 3 To ensure that Officers have satisfied themselves that organisations to be grant-aided are financially viable for the duration of the appropriate project or activity. They must also provide adequate notice of any grant they propose to make or withdraw.
- 4 To ensure that the purpose of the grant is communicated to the external organisation.
- 5 To maintain a register of all grants provided to external organisations to demonstrate political transparency and that there is no favouritism. The register should record the details of the grant including, date, amount, payee and objectives/purpose of the grant.