



# **ORKNEY**

---

## **ISLANDS COUNCIL**

### **FINANCIAL REGULATIONS**

and

### **CONTRACT REGULATIONS FOR BUILDING, ENGINEERING AND ASSOCIATED WORKS**

June 2005

# ORKNEY ISLANDS COUNCIL

## FINANCIAL REGULATIONS

### CONTENTS

<b>Section</b>		<b>Page</b>
<b>1.</b>	<b>INTRODUCTION</b>	<b>1</b>
<b>2.</b>	<b>OBSERVANCE OF FINANCIAL REGULATIONS</b>	<b>1</b>
	2.1 Responsibility of Service Directors	1
	2.2 Breach of Regulations	1
<b>3.</b>	<b>FINANCIAL PLANNING</b>	<b>1</b>
	3.1 Form of the Estimates	1
	3.2 Duty to provide information	1
	3.3 Budget Strategy Group	2
	3.4 Committee consideration of Estimates	2
	3.5 Application for External Grant Funding	2
	3.6 Corporate Allocation of New Funds	2
	3.7 Report on the Budget Totals	3
	3.8 Authority to Incur Revenue Expenditure	3
	3.9 Authority to Incur Capital Expenditure	3
	3.10 Statutory Compliance (Prudential System)	4
<b>4.</b>	<b>FINANCIAL ADMINISTRATION</b>	<b>4</b>
	4.1 Committee Control	4
	4.2 Reports to Committee	4
	4.3 Probity	5
	4.4 Legality of Expenditure	5
	4.5 Best Value	5
	4.6 Representation at Meetings	5
	4.7 Performance Monitoring	5
	4.8 Accountability of Service Directors	6
<b>5.</b>	<b>BUDGETARY CONTROL</b>	<b>6</b>
	5.1 Statement of Accounts	6
	5.2 Financial Monitoring by Committee	6
	5.3 Financial Monitoring by Service Directors	6
	5.4 Emergency Powers	6
	5.5 Revenue Budget Virement	6
	5.6 Revenue Overspend	6
	5.7 Revenue Underspend	7
	5.8 Capital Programme Virement	7
	5.9 Capital Programme Slippage	7
	5.10 Capital Overspends	7
<b>6.</b>	<b>ACCOUNTING</b>	<b>8</b>
	6.1 Accounting Systems, Procedures and Records	8
	6.2 Annual Accounts	8
	6.3 Year End Accounting Procedures	8
	6.4 Form of Accounts	8

<b>Section</b>	<b>Page</b>
<b>7. BANKING ARRANGEMENTS</b>	<b>8</b>
7.1 Administrative Arrangements	8
7.2 Cheque Control	8
7.3 Lodgements	9
7.4 Overdraft Facilities	9
<b>8. ORDERS FOR WORK, GOODS OR SERVICES</b>	<b>9</b>
8.1 Form of Ordering System	9
8.2 Official Orders	9
8.3 Prohibition on Use of Orders	9
8.4 Duty to Invite Quotations (£1,000)	9
8.5 Quotations above £25,000	10
8.6 Contracts for Building Engineering and Associated Works	10
8.7 Check on Works, Goods or Services Received	10
8.8 Leasing	10
8.9 Acceptance of Inducements	10
8.10 European Journal	11
<b>9. USE OF CONSULTANTS</b>	<b>11</b>
9.1 Specialist Nature of Consultancy	11
9.2 Form of Appointment	11
9.3 Building, Engineering and Associated Works	11
<b>10. CREDITOR PAYMENTS</b>	<b>11</b>
10.1 Payment Voucher	11
10.2 Method of Payment	11
10.3 Credit Cards	12
10.4 Authorisation	12
10.5 Certification of Payment Vouchers	12
10.6 Processing of Payment Vouchers	12
10.7 Duplicate Invoices	12
<b>11. SALARIES, WAGES AND EXPENSES</b>	<b>13</b>
11.1 Administrative Arrangements	13
11.2 Duty to Provide Information	13
11.3 Sickness and Leave	13
11.4 Grades and Rates of Pay	13
11.5 Certification of Records	13
11.6 Pensions/Redundancy Payments	13
11.7 Members Expenses	14
11.8 Staff Expenses	14
11.9 Expenses Properly Incurred	14
11.10 Payment Deadlines (3 months)	14
<b>12. IMPREST ACCOUNTS</b>	<b>14</b>
12.1 Administrative Procedures	14
12.2 Income Received	14
12.3 Type of Expenditure	14
12.4 Certificates of Balance	15
12.5 Final Account	15
12.6 New Imprests and Changes	15

<b>Section</b>	<b>Page</b>
<b>13. PAYMENTS TO EXTERNAL BODIES</b>	<b>15</b>
13.1 Payment Voucher	15
13.2 Method of Payment	15
13.3 Authorisation	15
13.4 Certification of Payment Vouchers	15
13.5 Processing of Payment Vouchers	16
13.6 Monitoring Arrangements	16
<b>14. INCOME COLLECTION</b>	<b>16</b>
14.1 Administrative Procedures	16
14.2 Corporate Charging Policy	16
14.3 Supervision of Income	16
14.4 Issuing of Accounts	17
14.5 Prompt Notification	17
14.6 Forms, Books and Tickets	17
14.7 Money Transfers	17
14.8 Debt Recovery and Write-offs	17
14.9 Submission of Grant Applications	17
<b>15. INTERNAL AUDIT</b>	<b>18</b>
15.1 Responsibility for Internal Audit	18
15.2 Continuous Review	18
15.3 Authority of Internal Audit	18
15.4 Duty to Notify Irregularities	18
15.5 Committee Reports	19
<b>16. FRAUD, THEFT AND IRREGULARITY</b>	<b>19</b>
16.1 Fraud Policy	19
16.2 Duty to Report	19
16.3 Process of Investigation	19
16.4 Benefit Fraud	19
16.5 Segregation of Duties	20
<b>17. RISK MANAGEMENT AND INSURANCES</b>	<b>20</b>
17.1 Duty to Assess Risk	20
17.2 Insurance Cover	20
17.3 Notification of New Risks	20
17.4 Notification of Loss	20
17.5 Review of Insurances	20
17.6 Provision of Indemnity	20
<b>18. ASSETS, STOCKS AND STORES</b>	<b>20</b>
18.1 Duty to Maintain Inventories	20
18.2 Annual Check	21
18.3 Security of Assets	21
18.4 Obsolete or Surplus Assets	21
18.5 State Aids	21
18.6 Security of Stocks	21
18.7 Stockholding Levels	21
18.8 Physical Stocktaking	21
18.9 Financial Records	22
<b>19. TREASURY AND FUND MANAGEMENT</b>	<b>22</b>
19.1 Code of Practice	22



<b>Section</b>	<b>Page</b>
<b>20. SECURITY</b>	<b>22</b>
20.1 Responsible Persons	22
20.2 Cash Holding Limits	22
20.3 Safe Keys etc	23
20.4 Data Security	23
20.5 Pre Printed/Pre Signed Cheques	23
20.6 Security and Retention of Documents	23
<b>21. PRIVATE PROPERTY AND VOLUNTARY FUNDS</b>	<b>23</b>
21.1 Administration Procedures	23
21.2 Personal Property	23
21.3 Voluntary Funds	23
<b>22. PARTNERSHIPS AND OTHER EXTERNAL ARRANGEMENTS</b>	<b>24</b>
22.1 Partnerships	24
22.2 External Funding	24
22.3 Working for Third Parties	25

**ORKNEY ISLANDS COUNCIL**

**CONTRACT REGULATIONS**  
**for BUILDING, ENGINEERING AND ASSOCIATED WORKS**

**CONTENTS**

<b>Section</b>	<b>Page</b>
<b>1. Introduction</b>	<b>26</b>
<b>2. Probity</b>	<b>26</b>
<b>3. Contract Form</b>	<b>26</b>
<b>4. EU Public Procurement Regulations</b>	<b>26</b>
<b>5. Best Value</b>	<b>27</b>
<b>6. Approved List of Consultants and Contractors</b>	<b>27</b>
<b>7. Procurement of Consultants</b>	<b>27</b>
<b>8. Procurement of Works</b>	<b>28</b>
<b>9. Tendering</b>	<b>29</b>
<b>10. Award of Contracts</b>	<b>31</b>
<b>11. Payment</b>	<b>31</b>
<b>12. Contract Variations</b>	<b>32</b>
<b>13. Contract Increases</b>	<b>32</b>
<b>14. Direct Services</b>	<b>32</b>
<b>15. Tax Certificate</b>	<b>32</b>
<b>16. Exceptional Circumstances</b>	<b>32</b>

## ANNEXES

	<b>Page</b>	
<b>Annex 1</b>	<b>Capital Project Appraisal System</b>	<b>34</b>
<b>Annex 2</b>	<b>Council Credit Cards</b>	<b>36</b>
<b>Annex 3</b>	<b>Debt Recovery and Write-off Procedures</b>	<b>39</b>
<b>Annex 4</b>	<b>Anti Fraud Policy</b>	<b>50</b>
<b>Annex 5</b>	<b>Anti-Fraud and Corruption Strategy</b>	<b>51</b>
<b>Annex 6</b>	<b>Fraud and Corruption Response Plan</b>	<b>55</b>
<b>Annex 7</b>	<b>Procedure for Reporting Concerns at Work</b>	<b>62</b>
<b>Annex 8a</b>	<b>Housing Benefit &amp; Council Tax Benefit Anti Fraud Policy</b>	<b>66</b>
<b>Annex 8b</b>	<b>Housing Benefit &amp; Council Tax Benefit Fraud Prosecution Policy</b>	<b>69</b>
<b>Annex 9</b>	<b>Risk Management Policy</b>	<b>72</b>
<b>Annex 10</b>	<b>Disposal of Obsolete or Surplus Assets</b>	<b>73</b>
<b>Annex 11</b>	<b>Treasury Policy Statement</b>	<b>75</b>
<b>Annex 12</b>	<b>Code of Guidance on Funding External Bodies and Following the Public Pound</b>	<b>88</b>

**ANNEXES ARE NOT ATTACHED BUT ARE AVAILABLE ON REQUEST FROM ADMINISTRATION (Ext 2208) or FINANCE (Ext 2103)**

# **Financial Regulations**

## **1. INTRODUCTION**

The Director of Finance and Housing, for the purposes of Section 95 of the Local Government (Scotland) Act 1973, shall be responsible for the proper administration of the Council's financial affairs. The Policy and Resources Committee is responsible to the Council for regulation and controlling the finances of the Council.

These regulations set down the standards that the Council requires from all officers and members of the Council.

All officers and members must exhibit the highest standards of probity when dealing with the Council's finances.

## **2. OBSERVANCE OF FINANCIAL REGULATIONS**

### **2.1 Responsibility**

Every Committee, Sub-Committee, Member of the Council, Officer and Agent of the Council to whom these Regulations apply will observe the provisions of these Financial Regulations. It will be the duty of the Chief Executive, the Assistant Chief Executive and Service Directors to secure compliance with these Regulations, by ensuring that all employees and agents of the Council are made aware of them and their individual requirement to fully conform. Any breach of the Financial Regulations could be considered gross misconduct and may invoke subsequent disciplinary action in accordance with the Council's approved and agreed disciplinary procedures.

### **2.2 Breach of Regulations**

Any breach or non compliance with these regulations must, immediately upon discovery, be reported to the Director of Finance and Housing, who will discuss the matter with the relevant Service Director, Chief Executive and/or the Assistant Chief Executive as may be appropriate in order to determine the appropriate action to be taken.

## **3. FINANCIAL PLANNING**

### **3.1 Form of the Estimates**

The detailed form of capital and revenue estimates shall be determined by the Director of Finance and Housing.

### **3.2 Duty to provide information**

It shall be the duty of the Service Directors to provide the Director of Finance and Housing with the necessary information to allow the timeous preparation of the Capital Programme and Revenue Estimates.

### **3.3 Budget Strategy Group**

The Budget Strategy Group (BSG) is a working group of Members reporting to the Policy and Resources Committee. The group is assisted by the Chief Executive and Director of Finance and Housing and other officials as deemed necessary. Their remit is to assist the Council in preparing its budgets and in integrating, so far as possible, the planning and budgeting process. In so doing, the BSG will, as far as possible:

- support and reflect the Council's and community planning priorities;
- undertake strategic financial planning;
- plan for medium term financial stability;
- develop three year investment plans;
- make recommendations regarding Council Tax over a three year period;
- advise on Strategic Reserve Fund Allocations to Committee;
- advise on year-end flexibility arrangements; and
- advise on the capital project appraisal process.

The BSG will seek to apply consistency of approach across the Council and will act as the key buffer between the Service Committees and the Policy and Resources Committee regarding future financial requirements.

Throughout the remainder of this document, where it is stated that submissions are made from Service Committees to the Policy and Resources Committee, it is likely that consideration and recommendations will have been made by the BSG to the Policy and Resources Committee in respect of these Service Committee submissions.

### **3.4 Committee consideration of Estimates**

Each Service Committee shall consider its capital programme and revenue estimates and shall submit them to the Policy and Resources Committee by the prescribed date.

In addition, revenue estimates will be prepared on a cycle that reflects central government's three-year settlement periods. The Council is required to set a balanced budget by 11 March in the year preceding that for which it is set.

### **3.5 Application for External Grant Funding**

No application for new grant funding (either from the Scottish Executive or any other body or organisation) shall be made without the approval of the relevant Service Committee.

This Regulation must be read in conjunction with Regulation 14.9 below.

### **3.6 Corporate Allocation of New Funds**

All new grant money shall be reviewed corporately by the BSG (in consultation with the Chair and Vice Chair of the relevant Service Committee) with a view to identifying how local priorities might also be delivered from those funds. In carrying out this review, at least 5% of new funds should be applied to meet the corporate costs that would be incurred to administer those funds.

To aid this process a register of all grant notification correspondence shall be maintained within the Finance Division containing information on:

- the Minute of the relevant Service Committee authorising the application
- the notification document;
- the level of award;
- any specific conditions that need to be observed;
- the level of corporate top-slicing applied (if top slicing of more than 5% is proposed, this will be notified to the relevant Service Director for views to be submitted).

The relevant Service Director will be notified of the additional sum available and the appropriate budget coding by the Finance Division.

The Budget Strategy Group will be notified of all grant offers made and may request additional information from Service Directors and Committee Chairmen as to the future use of the additional funding.

### **3.7 Report on the Budget Totals**

The Director of Finance and Housing shall report to the Policy and Resources Committee on the aggregate effect of the capital programme and revenue estimates on the Council's financial resources and subject to any proposed amendments, the Policy and Resources Committee shall submit them to the Council for approval.

### **3.8 Authority to Incur Revenue Expenditure**

The inclusion of any category of expenditure in an approved revenue budget shall give authority to the relevant Service Director to incur expenditure within that category. Such expenditure must be in accordance with the Council's policies or objectives subject to compliance with these regulations and the approved scheme of delegation.

Service Directors may not incur expenditure in any financial year that cannot be met from their revenue budget under their respective head of estimate, except in accordance with the scheme of virement detailed in Regulation 5.5 below.

### **3.9 Authority to Incur Capital Expenditure**

All officers and members shall ensure compliance with the Council's system of capital project appraisal attached at **Annex 1** to these regulations. The approval by the Council of the annual Capital Programme shall constitute approval of the individual projects or provisions contained therein.

Projects included in years one or two of the Capital Programme can be progressed in accordance with the approved budget and timescale laid out in the capital project appraisal submitted.

Expenditure can be incurred on projects included in years three and beyond of the Capital Programme which allows them to be worked up to the detail required for a stage two project appraisal.

Any requests to incur expenditure outwith the provisions included in the approved capital programme shall be reported to the Policy and Resources Committee for approval, prior to any commitment being made.

The classification of capital spending shall be as prescribed in the Capital Accounting Code of Practice. In general, any spending under £10,000 will not be considered capital in nature and will therefore be chargeable against the service revenue budget.

Where slippage in projects valued at £50,000 and above is identified and reported to the Policy and Resources Committee, appropriate provision shall be made in the budget for the following financial year to permit the completion of projects.

### **3.10 Statutory Compliance (Prudential System)**

Section 35 of Part 7 of the Local Government in Scotland Act 2003 introduced new statutory guidance on Capital expenditure limits with the provision that:

- (1) It is the duty of a local authority to determine and keep under review the maximum amount, which it can afford to allocate to capital expenditure;
- (2) In discharging that duty, the local authority shall comply with regulations made by the Scottish Ministers for the purposes of this section.

This provision which came into force from 1 April 2004 effectively replaced the control of local authority capital expenditure previously exercised through Section 94 of the Local Government (Scotland) Act 1973.

The prudential approach increases the flexibility that the Council has in setting the capital programme, however full regard must be taken of the affordability of the programme. Affordability considerations include an assessment of sustainability, by taking account of the level of resources available to the Council in the form of reserves and balances and any long-term revenue commitments.

## **4. FINANCIAL ADMINISTRATION**

### **4.1 Committee Control**

The Policy and Resources Committee is responsible for the regulation and control of the Council's finances.

### **4.2 Reports to Committee**

Committee reports must identify any financial and legal implications. The financial and legal implications section of a report must be approved by the Director of Finance and Housing and Assistant Chief Executive respectively. All recommendations must be consistent with the terms of the financial and legal implications.

### **4.3 Probity**

The Council regards any corrupt practices as completely incompatible with its public service role.

These regulations are not a substitute for common sense and judgement. Members and staff must exhibit the highest standards of financial probity when dealing with the Islands Councils affairs.

Employees and Members must not accept gifts, loans, fees, hospitality or other advantage except in the following circumstances:

- (a) isolated gifts of a trivial character or inexpensive seasonal gift such as a calendar or diary or other simple items of office equipment of modest value; or
- (b) normal hospitality associated with duties and which would reasonably be regarded as appropriate.

All Members are required to declare changes to their pecuniary and non-pecuniary interests. Such changes will be notified to the Chief Executive within one month of these changes taking place.

### **4.4 Legality of Expenditure**

Service Directors shall ensure that no expenditure is incurred unless it is within the legal powers of the Council to incur such expenditure, the expenditure has complied with the EU Public Procurement regime; and the expenditure has complied with these Financial Regulations.

### **4.5 Best Value**

Section 1 of the Local Government in Scotland Act 2003 obliges the Council to make arrangements which secure best value. Best value is continuous improvement in the performance of the Council's functions. In accordance with best value principles, all proposed and current service arrangements shall be subject to review and option appraisal.

### **4.6 Representation at Meetings**

The Director of Finance and Housing, or any nominee with written authority signed by the Director of Finance shall not be denied access to any meeting within or hosted by the Council where discussions of any financial matter take place.

### **4.7 Performance Monitoring**

The Director of Finance and Housing shall report to the Policy and Resources Committee on the level of resources available to the Council within a budget period.

He shall keep each Committee informed as to its financial performance and shall keep the Policy and Resources Committee informed as to overall financial performance of the Council.

#### **4.8 Accountability of Service Directors**

Service Directors are accountable for their staff and the security, custody and control of all resources including plant, buildings, materials, cash and stores appertaining to their departments.

### **5. BUDGETARY CONTROL**

#### **5.1 Statement of Accounts**

The Director of Finance and Housing shall provide Service Directors with regular statements of income and expenditure.

#### **5.2 Financial Monitoring by Committee**

During each budgetary period, it is the duty of both the Service Director and Director of Finance and Housing to keep each Committee informed of its financial performance. All such reports shall be in a format prescribed by the Director of Finance and Housing.

Within each budgetary period, every Committee shall regulate its own financial performance in accordance with the Council's policies or objectives.

#### **5.3 Financial Monitoring by Service Directors**

It shall be the duty of the Service Directors, in consultation with the Director of Finance and Housing, to ensure that the financial performance of the services for which they are responsible are properly monitored.

#### **5.4 Emergency Powers**

Nothing in these regulations shall prevent the incurring of expenditure which is necessary in an emergency or required as a matter of urgency. In terms of the Council's Scheme of Delegation to Officers, such expenditure can only be authorised by the Chief Executive, in consultation with the Convener and Vice Convener. A report detailing the action taken shall be presented to the next Policy and Resources Committee.

#### **5.5 Revenue Budget Virement**

After consultation with the Director of Finance and Housing, Service Directors may use virement where heads of estimate involved do not require an increase in staffing levels. This is provided that the approval of the virement shall not result in an increase being required in the overall Committee budget in the current or any subsequent financial year.

Virement cannot be used to reinstate an item deleted by Committee during budget considerations without subsequent approval by the Service Committee.

#### **5.6 Revenue Overspend**

An additional expenditure requirement, which is identified during a financial year, can only be approved by means of a spending recommendation to the

Policy and Resources Committee, subject to the exception of Regulation 5.4 above.

An overspend by a Service Committee in any financial year shall be carried forward to the following financial year. The amount calculated shall be deducted from the next year's service budget. (This provision does not apply to Devolved School Management budgets).

### **5.7 Revenue Underspend**

An underspend by a Service Committee in any financial year can be carried forward to the following financial year to the extent of 5% of the Service Committee budget, excluding apportioned costs, up to a maximum of £100,000. In the case of the Social Services and Housing Committee and the Education Committee, this carry forward facility has been further increased to a maximum of £200,000.

In the carry forward calculation, the apportioned costs budget category is specifically excluded. The calculated underspend shall be added to the Service Committee's Revenue budget for the next financial year (This provision does not apply to Devolved School Management budgets).

Service Committee underspend forecasts which are in excess of 5% of Committee budget or £100,000 (whichever shall be the lesser) during the course of the financial year shall be reported to the Budget Strategy Group for their consideration.

### **5.8 Capital Programme Virement**

Service Directors cannot exercise virement within the Capital Programme, except in exceptional circumstances and only after consultation with the Director of Finance and Housing. The action taken and reasons for such virement must be reported to the next meeting of the Policy and Resources Committee.

### **5.9 Capital Programme Slippage**

This is defined as capital projects which have not progressed as planned and in accordance with the provisions made within the approved capital programme.

Where no contractual commitment exists or will be made in the current or previous financial years for an approved capital project, the relevant programme provision(s) shall be redeployed by the Policy and Resources Committee.

Where a contractual commitment does exist, an appropriate provision shall be made in the capital programme for the following financial year to permit the completion of project.

### **5.10 Capital Overspends**

Expenditure on a project shall not exceed the amount included in the Capital Programme. However, if after review, the projected overspend is within 5% of the approved net cost in the capital programme, the Service Director can proceed after consultation with the Chairman, Vice Chairman of the appropriate Committee and the Director of Finance and Housing.

If the net cost is likely to exceed the approved programme figure by more than 5%, the variation must be reported to the next meeting of the appropriate Service Committee before the project is reconsidered by the Policy and Resources Committee.

Where a potential acceleration of expenditure on the Capital Programme is requested, consideration shall only be given to adjusting timescales within the overall programme following a report to the Policy and Resources Committee.

## **6. ACCOUNTING**

### **6.1 Accounting Systems, Procedures and Records**

All accounts and financial systems, procedures and records of all Council Departments and other bodies controlled by the Council shall be determined by the Director of Finance and Housing or under his direction.

### **6.2 Annual Accounts**

All annual accounts and records of the Council shall be compiled by the Director of Finance and Housing or under his direction.

### **6.3 Year End Accounting Procedures**

Service Directors shall provide all information necessary to close the Council's accounts at dates specified by the Director of Finance and Housing

### **6.4 Form of Accounts**

The Council's Accounts and the Accounts of associated bodies shall comply with statutory guidance and follow recognised codes of practice.

## **7. BANKING ARRANGEMENTS**

### **7.1 Administrative Arrangements**

All administrative arrangements with the Council's bankers shall be made by or under arrangements approved by the Director of Finance and Housing, who shall be authorised to operate such banking accounts as he may consider necessary. This regulation shall also apply to bank accounts for all voluntary funds operated by officers of the Council by reason of their employment, and all Trusts, Endowments and Bequests administered by the Council. Official bank accounts bearing the Council's name shall only be opened or closed by the Director of Finance and Housing.

### **7.2 Cheque Control**

All cheques on the Council's main banking accounts shall only be ordered by the authority of the Director of Finance and Housing, who shall make proper arrangements for their safe custody. Cheques on the Council's main banking account shall bear the facsimile signature of the Director of Finance and Housing or be signed by either the Director of Finance and Housing, or such other members of the Finance Department as the Council may determine.

### **7.3 Lodgements**

All monies received shall be paid intact and without delay to the Director of Finance and Housing who shall make daily lodgements into the Council's bank accounts. All pay in books shall be ordered and authorised for use by the Director of Finance and Housing.

### **7.4 Overdraft Facilities**

The Director of Finance and Housing is authorised to overdraw the Council's main bank account from time to time to such an extent as may be necessary, The overdraft shall not exceed £1,000,000 at any time, without the express authority of the Council.

## **8. ORDERS FOR WORK, GOODS OR SERVICES**

### **8.1 Form of Ordering System**

The Director of Finance and Housing shall determine the ordering system across the Council.

### **8.2 Official Orders**

Official orders shall be issued in advance for all work, goods or services to be supplied to the Council except for:

- work procured in accordance with Contract Regulations;
- services provided in accordance with a formal Service Level Agreement;
- supplies of public utility services;
- periodical payments such as rents or rates;
- petty cash purchases; or
- such other exceptions as the Director of Finance and Housing may approve.

### **8.3 Prohibition on Use of Orders**

Official orders must not be used for non-Council purchases.

### **8.4 Duty to Invite Quotations (£1,000)**

Official orders for works, goods and services shall not be issued for purchases in excess of £1,000 without first receiving three written competitive quotations. Works, goods or services can only be ordered after inviting one quote in the following circumstances:

- (a) The works, goods or services are of a propriety or specialist nature and no reasonable alternative is available; or
- (b) The works, goods or services are required so urgently, that the time available precludes the invitation of quotations.

In both cases where the order is valued at £50,000 or less approval must be obtained from the Director of Finance and Housing. Where the order is valued above £50,000 approval must be obtained from the Chief Executive who shall

consult with the Chairman and Vice Chairman of the relevant Service Committee.

A report detailing the reasons for not requesting quotations must be presented to the next meeting of the relevant Committee.

#### **8.5 Quotations above £25,000**

Where a quote is anticipated to exceed £25,000 Service Directors shall adopt the procedures outlined in the Contract Regulations for Building, Engineering and Associated Works as far as practicable. Any alteration to the procedure laid down in the Contract Regulations must be approved by the Chief Executive advised by the Director of Finance and Housing.

#### **8.6 Contracts for Building, Engineering and Associated Works**

The Director of Technical Services shall ensure compliance with the Council's Contract regulations for Building, Engineering and Associated Works.

The Council has, on occasion, agreed and undertaken to carry out works to property occupied, or to be occupied, by a third party who will be making some form of payment in respect of those works (e.g. rent). No Tender shall be awarded or contract let in respect of those works, until a formal legal agreement is in place in respect of those works, including, for the avoidance of doubt, the payment to be received by the Council, or the means by which that payment shall be calculated. Such formal legal agreement shall require to be approved by the Director of Finance and Housing and the Assistant Chief Executive, prior to the awarding of the tender or the letting of the contract in respect of those works.

#### **8.7 Check on Works, Goods or Services Received**

It shall be the duty of Service Directors to ensure that all works, goods or services received are of adequate quality, and represent value for money for the Council.

#### **8.8 Leasing**

Prior to entering into a non property asset leasing arrangement, Service Directors shall consult with the Director of Finance and Housing in order that the advantages or otherwise of leasing compared to purchasing can be evaluated and that consideration can be given as to whether or not the asset sought already exists or is available within the Council .

Prior to entering into any leasing arrangements in respect of property, Service Directors shall consult with the Head of Corporate Property in order that consideration can be given to utilising property already owned or let by the Council.

#### **8.9 Acceptance of Inducements**

The acceptance of invitations to holidays or foreign travel, gifts or hospitality and other invitations could be construed as a bribe or inducement. Any Inducements accepted from suppliers to encourage the purchase of goods or services shall be considered an act of gross misconduct in accordance with the provisions contained in the Employees Code of Conduct.

### **8.10 European Journal**

Service Directors must ensure compliance with EU Public Procurement Regime.

## **9. USE OF CONSULTANTS**

### **9.1 Specialist Nature of Consultancy**

The appointment of Professional Consultants is subject to these regulations. However the specialised nature of consultancy requires appointments to be closely scrutinised and therefore, before quotes are obtained, Service Directors must have specific Committee approval to undertake work by way of consultants subject to application of Regulation 5.4 above.

### **9.2 Form of Appointment**

Officers should ensure that a formal agreement or letter of appointment specifies:

- precise scope of the commission
- cost limits and contracts
- lines and levels of reporting
- level of fees
- method of determining completion of work and payment thereof
- The amount of professional indemnity/public liability insurance that the consultant will require to maintain

All formal agreements or letters of appointment shall require to be approved by the Director of Finance and Housing and the Assistant Chief Executive prior to being issued or a legally binding contract being entered into, or the commencement of the commission.

### **9.3 Building, Engineering and Associated Works**

Procurement of Consultants for Building, Engineering and Associated Works shall be in accordance with Section 7 of the Contract Regulations.

## **10. CREDITOR PAYMENTS**

### **10.1 Payment Voucher**

Creditor payments will be requested through submission of a payment voucher to the Payments Section of the Finance Division. These payment vouchers will normally be creditor invoices, however, in the absence of an invoice, self-generated indent forms can be used as a substitute payment voucher. The format of the indent form will be as prescribed or approved by the Director of Finance and Housing.

### **10.2 Method of Payment**

The normal methods of payment of money due shall be by cheque or direct credit. This excludes payments from imprest accounts. The Council also allows, in certain circumstances payment by Council credit card.

### **10.3 Credit Cards**

**Annex 2**, to these regulations, outlines the Council's policy on the use of credit cards, including their conditions of use, guidelines and procedures.

### **10.4 Authorisation**

The Service Director is responsible for authorising staff members to certify and approve voucher payments. A list of authorised officers shall be provided to and approved by the Director of Finance and Housing on an annual basis.

### **10.5 Certification of Payment Vouchers**

Before certifying a payment voucher, the certifying officer shall have satisfied himself that:

- (a) The work, goods or services to which the payment voucher relates have been received, carried out, examined and approved;
- (b) The prices, extensions, calculations, trade discounts, other allowances, credits and tax are correct;
- (c) The relevant expenditure has been properly incurred and is within the relevant budget provision;
- (d) Appropriate entries have been made in inventories, stores records or stock books as required;
- (e) The payment voucher has not been previously passed for payment and is a proper liability of the Council;
- (f) The appropriate ledger code has been entered on the payment voucher;
- (g) Expenditure agreed outwith a budget head by a Committee has the appropriate Committee reference attached to the payment request.

### **10.6 Processing of Payment Vouchers**

Duly certified payment vouchers shall be passed without delay to the Director of Finance who shall examine them to the extent that he considers necessary, for which purpose he shall be entitled to make such enquiries and to receive such information and explanations as he may require. The Director of Finance and Housing shall have authority to pay duly certified payment vouchers.

### **10.7 Duplicate Invoices**

Payments shall not be made on duplicate photocopy invoices without certification from the Service Director or other authorised officer that the original invoice **has not** previously been passed for payment.

For VAT purposes, only original or certified supplier copies can be used to support a VAT claim.

## **11. SALARIES, WAGES AND EXPENSES**

### **11.1 Administrative Arrangements**

- (a) Service Heads shall ensure that all posts are properly authorised and are included on the appropriate Establishment list, if applicable.
- (b) The payment of all salaries, wages, pensions, compensation and other emoluments to all members, employees or former employees of the Council shall be made by the Director of Finance and Housing or under arrangements approved and controlled by him.

### **11.2 Duty to Provide Information**

Service Directors shall notify the Director of Finance and Housing using an approved Payroll form, where appropriate. This notification should be submitted in accordance with prescribed Payroll deadlines and should relate to all matters affecting emolument payments, in particular:

- (a) appointments, resignations, dismissals, suspensions, secondments and transfers;
- (b) changes in remuneration, other than normal increments and pay awards and agreements of general application;
- (c) information necessary to maintain records of service for pension, income tax, national insurance etc.

### **11.3 Sickness and Leave**

Each Service Director shall notify the Director of Finance and Housing of absences due to sickness or other reason, apart from approved leave.

### **11.4 Grades and Rates of Pay**

Appointments of all employees shall be made in accordance with the Council's approved Establishment List, and Conditions of Service.

### **11.5 Certification of Records**

All time records and other pay documents shall be in a form prescribed or approved by the Director of Finance and Housing and shall be certified in manuscript by or on behalf of the Service Director. The names of officers authorised to sign such records shall be sent to the Director of Finance and Housing by each Service Director annually and shall be amended when any changes arise.

### **11.6 Pensions/Redundancy Payments**

All pension records and documents shall be in a form prescribed or approved by the director of Finance and Housing. The Director of Finance and Housing

is responsible for the calculation and payment of all LGPS benefit payments. The Director of Finance and Housing is also responsible for the payment of any compensation granted to Teachers retiring early in the interests of the efficient exercise of the employer's functions.

### **11.7 Members Expenses**

Payments to members, including co-opted members of the Council or its Committees who are entitled to claim travelling or other allowances shall be made by the Director of Finance and Housing in accordance with the Council scheme of allowances upon receipt of the prescribed form duly completed.

### **11.8 Staff Expenses**

All claims by staff for payment of car allowances, subsistence allowances, travelling and incidental expenses shall be submitted to the Director of Finance and Housing. Claims should be made on an approved form, duly certified, made up to a specified day of each week/month and within the prescribed Payroll deadlines. The names of officers authorised to certify such records shall be sent to the Director of Finance and Housing by each Service Director and shall be amended when any changes arise.

### **11.9 Expenses Properly Incurred**

The certification by, or on behalf of, the Service Director shall be taken to mean that:

- the certifying officer is satisfied that the journeys were authorised;
- the expenses were properly and necessarily incurred;
- the allowances are properly payable by the Council; and
- that no payment shall be made by any other body or person to the member of staff towards such expenses or allowances.

### **11.10 Payment Deadline (3 months)**

Members and officers claims submitted more than three months after the expenses were incurred will only be paid in exceptional circumstances.

## **12. IMPREST ACCOUNTS**

### **12.1 Administrative Procedures**

The Director of Finance and Housing shall provide such imprest accounts as he considers appropriate to such officers of the Council as may need them for the purposes of defraying petty cash and other expenses.

### **12.2 Income Received**

No income received on behalf of the Council may be paid into an imprest account but must be banked or paid to the authority as provided in para.7.3 of these regulations.

### **12.3 Type of Expenditure**

Payments from an imprest account shall be limited to minor items of expenditure and to such other items as the Director of Finance and Housing may approve and shall be supported by a receipted voucher to the extent that the Director of Finance may require.

#### **12.4 Certificates of Balance**

All officer's responsible for an imprest account shall upon request provide the Director of Finance and Housing, a certificate as to the state of their imprest.

#### **12.5 Final Account**

Prior to leaving the employment of the Council or otherwise ceasing to be entitled to hold an imprest, an officer shall account in full to the Director of Finance and Housing for the amount advanced.

#### **12.6 New Imprests and Changes**

The Service Director must authorise all requests for new imprests, changes to the level of imprests or closure of imprests.

### **13. PAYMENTS TO EXTERNAL BODIES**

#### **13.1 Payment Voucher**

Grant and other payments will be requested through submission of a self-generated indent form.

#### **13.2 Method of Payment**

The normal methods of payment of money due shall be by cheque or direct credit.

#### **13.3 Authorisation**

The Service Director is responsible for authorising staff members to certify and approve voucher payments. A list of authorised officers shall be provided to and approved by the Director of Finance and Housing on an annual basis.

#### **13.4 Certification of Payment Vouchers**

Before certifying a payment voucher, the certifying officer shall have satisfied himself that sufficient steps have been put in place to ensure compliance with the main requirements of the *Code of Guidance on Funding External Bodies and Following the Public Pound (Annex 12)*. This is a national guideline and the Council is obliged to fulfil its requirements, including:

- consistency with Council objectives and principles of Best Value;
- minimum standard of management arrangements in place;
- monitoring arrangements clearly stipulated.

The scope of these detailed requirements is limited to payments made to external bodies, which are not already covered by straightforward contractual relationships. For payments of £5,000 or more, a written Service Level Agreement shall require to be in place between the Council and the external body, covering the requirements stated above, prior to the commencement of the provision of services by the external body.

### **13.5 Processing of Payment Vouchers**

Duly certified payment vouchers shall be passed without delay to the Director of Finance and Housing who shall examine them to the extent that he considers necessary, for which purpose he shall be entitled to make such enquiries and to receive such information and explanations as he may require. The Director of Finance and Housing shall have authority to pay duly certified payment vouchers.

### **13.6 Monitoring Arrangements**

In all cases, the Council shall nominate an officer who is responsible for monitoring the relationship between the Council and the external body. Reports should be made in the first instance to the responsible officer and in turn the Council with the nature and frequency of these reports being stated at the outset. Reports should contain financial and performance information covering:

- evidence of receipt of funding, e.g. bank statements, etc.;
- evidence of payments made, e.g. accounts, receipts, payslips etc.;
- aims and objectives of the organisation and how they have been met;
- whether the standards set by Council have been met; and
- targets and future plans.

A comprehensive register of funding of external bodies is maintained in the Finance Division, which includes the key information on all significant payments made.

## **14. INCOME COLLECTION**

### **14.1 Administrative Procedures**

All money received by an officer on behalf of the Council, shall without delay be paid intact to the Director of Finance and Housing or, as he may direct, to the Council's banking account or be transmitted directly to any other body or person entitled thereto.

With the exception of imprest accounts' replenishment, **cheques shall not be cashed out of money held on behalf of the Council.** Each officer who banks money shall enter on the paying-in slip a reference to the related debt (such as the receipt number or the name of the debtor) to indicate the origin of the payment.

### **14.2 Corporate Charging Policy**

Service Directors shall review all charges in accordance with the Council's policy on Corporate Charging.

### **14.3 Supervision of Income**

The collection of all money due to the Council shall be made under the supervision of the Director of Finance and Housing. All cash in transit shall be accompanied by two members of staff, except in cases where a dispensation has been granted by the Director of Finance and Housing.

### **14.4 Issuing of Accounts**

Each Service Director shall furnish the Director of Finance and Housing with particulars in connection with work done, goods supplied or services provided and of all other amounts due.

This will enable the Director of Finance and Housing to correctly record all sums due to the Council and to ensure the prompt collection of income due.

### **14.5 Prompt Notification**

The Director of Finance and Housing shall be notified promptly of all money due to the Council and of contracts, leases and other agreements and arrangements entered into which involve the receipt of money by the Council. The Director of Finance and Housing shall have the right to inspect any documents or related evidence as he may decide.

### **14.6 Forms, Books and Tickets**

All receipt forms, books, tickets and other such items shall be ordered and supplied to departments by the Director of Finance and Housing, who shall satisfy himself as to the arrangements for their control.

### **14.7 Money Transfers**

Every transfer of official money from one department to another shall be evidenced in the records of the departments concerned by the signature of the receiving officer.

### **14.8 Debt Recovery and Write-offs**

Service Directors shall adhere to the approved debt recovery and write-off procedures, including an annual review of service debt outstanding and indicate to the Director of Finance and Housing the likelihood of recovery. Debt recovery and write-off procedures are set out in **Annex 3** and these provide a suitable framework for the recovery of debt.

After exhausting all methods of recovery the Director of Finance and Housing shall have authority to write off debts considered irrecoverable on the following principles.

- (i) Unable to trace
- (ii) Bankrupt/Sequestered
- (iii) Uneconomical to pursue
- (iv) Unrealistic prospect of recovery

### **14.9 Submission of Grant Applications**

Prior to the submission the Assistant Chief Executive and the Director of Finance and Housing shall be required to authorise all grant applications, and shall have the right to refer any application to the relevant Service Committee for approval prior to submission. (See Section 3.5, above.)

The Director of Finance and Housing shall be advised timeously of all grant awards received on behalf of the Council.

## **15. INTERNAL AUDIT**

### **15.1 Responsibility for Internal Audit**

The Director of Finance and Housing has ultimate responsibility for the provision of the Internal Audit service to the Council. The Management of Internal Audit is under the control of the Chief Internal Auditor.

The Internal Audit Terms of Reference define the purpose, authority and responsibility for the internal audit service and ensure that these are consistent with the CIPFA Code of Practice for Internal Audit and Local Government.

### **15.2 Continuous Review**

A continuous internal audit, under the independent control and direction of the Director of Finance and Housing, shall be arranged to carry out an examination of accounting, financial and other operations of the Council. Internal audit shall specifically address the effectiveness of the Council's internal control environment.

While Internal Audit contributes to the internal control environment by examining, evaluating and reporting to management on its adequacy and effectiveness, it should be noted that it is a management responsibility to determine the extent of internal control in the Council's systems. Services should not depend on Internal Audit as a substitute for effective controls.

### **15.3 Authority of Internal Audit**

The Director of Finance and Housing or his authorised representative shall have authority to:

- (a) Enter at all reasonable times on any Council premises or land;
- (b) Have access to all records, documents and correspondence, including computer records, relating to any financial and other transactions of the Council;
- (c) Require and receive such explanations as are necessary concerning any matter under examination;
- (d) Require any employee or member of the Council to produce cash, stores or any other Council property under his control; and
- (e) Examine financial records of organisations funded by the Council.

### **15.4 Duty to Notify Irregularities**

Whenever any matter arises which involves, or is thought to involve, irregularities concerning cash, stores or other property of the Council the Service Director concerned shall immediately notify the Director of Finance and Housing. The Director of Finance and Housing shall take such steps as he considers necessary by way of investigation and advise the Chief Executive with regard to the appropriate action to be taken.

## **15.5 Committee Reports**

The Chief Internal Auditor shall submit regular reports to the Monitoring and Audit Committee, and shall have authority to submit reports on the Finance and Housing Department without reference to the Director of Finance and Housing.

## **16. FRAUD, THEFT AND IRREGULARITY**

### **16.1 Fraud Policy**

It is the duty of each Council Employee and Elected Member of the council to comply with the Council's anti-fraud policy (**Annex 4**). All Officers should also ensure compliance with the anti fraud and corruption strategy (**Annex 5**) and the fraud and corruption response plan (**Annex 6**).

### **16.2 Duty to Report**

Any Council Employee who during the course of their employment discovers or becomes suspicious that a theft, fraud or other irregularity involving Council assets or funds has occurred, shall report their discovery or suspicion to the Director of Finance and Housing. Such reporting shall be subject to the protection of the Council's Procedure for Reporting Concerns at Work at **Annex 7**.

### **16.3 Process of Investigation**

The Director of Finance and Housing, on being informed of an employee's suspicions, is responsible for performing an investigation to establish whether there are reasonable grounds for suspecting that a fraud, theft or other irregularity has taken place.

The Director of Finance and Housing must conduct his investigation impartially and have regard to the confidentiality of his position.

The Director of Finance and Housing, having established that there are reasonable grounds for suspecting a fraud, theft or other irregularity shall initiate a full investigation of the suspected irregularity and report it appropriately.

The Director of Finance and Housing shall advise the Chief Executive or appropriate Chief Official with regard to appropriate action to be taken which may involve suspension of an employee for the duration of the formal investigation.

In instances where a full investigation confirms that a fraud, theft or other irregularity has occurred resulting in actual loss, the Chief Executive shall invoke disciplinary procedures and police involvement.

### **16.4 Benefit Fraud**

The Director of Finance and Housing shall be responsible for the detection, recovery and prosecution of benefit fraud. Specific policies in relation to Benefit Fraud and Prosecution are attached at **Annexes 8a and 8b**.

## **16.5 Segregation of Duties**

Service Directors shall be responsible for ensuring appropriate segregation of duties where financial activity is involved.

## **17. RISK MANAGEMENT AND INSURANCES**

### **17.1 Duty to Assess Risk**

Service Directors are responsible for identifying and controlling risk and containing losses within their sphere of operation. The Risk Management Group reports to the Management Team who in turn report to the Policy and Resources Committee on all matters relating to Risk Management. The Risk Management Policy is shown in **Annex 9**.

### **17.2 Insurance Cover**

The Director of Finance and Housing shall effect all insurance cover and shall be responsible for liaising with relevant officers in respect of the negotiation of claims.

### **17.3 Notification of New Risks**

Service Directors shall give prompt notification to the Director of Finance and Housing of all new risks, properties or vehicles which require to be insured and of any alterations which may affect existing insurance provisions.

### **17.4 Notification of Loss**

Service Directors shall forthwith notify the Director of Finance and Housing and Assistant Chief Executive in writing of any loss, liability or damage or any event likely to lead to a claim, informing the police where appropriate.

### **17.5 Review of Insurances**

The Director of Finance and Housing shall annually, or at such other period as may be considered necessary, review all insurances, in consultation with Service Directors as appropriate.

### **17.6 Provision of Indemnity**

Service Directors shall consult the Director of Finance and Housing and the Assistant Chief Executive ensuring any terms of indemnity which the Council is requested to give are in place.

## **18. ASSETS, STOCKS AND STORES**

### **18.1 Duty to Maintain Inventories**

All departments shall maintain inventories containing an adequate description of all furniture and fittings, equipment, and plant and machinery. For insurance purposes, the purchase price or cost along with the estimated reinstatement or replacement value should also be recorded.

The Director of Finance and Housing shall determine the format in which the inventories shall be kept. Any deviation from the prescribed format shall be

approved in advance by the Director of Finance and Housing prior to the change being made by the appropriate Service Director.

Notification of Purchase and Notification of Asset Disposal/Transfer forms should be completed as appropriate and forwarded to the Director of Finance and Housing without delay.

### **18.2 Annual Check**

Each Service Director shall be responsible for maintaining an annual check of all items on the inventory, for taking action in relation to surpluses or deficiencies and noting the inventory accordingly.

### **18.3 Security of Assets**

It is the duty of each Service Director to ensure that all moveable assets are properly secure and can be accounted for at all times. The Council's property shall not be removed otherwise than in accordance with the ordinary course of the Council's business or used otherwise than for the Council's purposes except in accordance with specific directions issued by the Service Director concerned.

### **18.4 Obsolete or Surplus Assets**

Each Service Director shall be responsible for reviewing annually the assets at his disposal and shall furnish the Director of Finance and Housing with lists of assets in use and those no longer required.

Guidelines and procedures on the disposal of obsolete or surplus assets are provided in **Annex 10**. With the exception of Land and Property and Computer Equipment, all such assets should be offered to other departments in the first instance. Assets not required by the Council shall normally be disposed of at the best price achievable. This shall normally involve competitive tender or public auction.

### **18.5 State Aids**

Any dealings of the Council (including the sale or lease of Council owned land) must comply with the European Commission rules regarding State Aids in favour of any third party (including a buyer/tenant).

### **18.6 Security of Stocks**

Each Service Director shall be responsible for the care and custody of the stocks and stores in his department.

### **18.7 Stockholding Levels**

Stocks shall not be in excess of normal requirements except in special circumstances agreed in consultation with the Director of Finance and Housing.

### **18.8 Physical Stocktaking**

Service Directors shall, after consultation with the Director of Finance and Housing make arrangements for periodical test examinations of stocks by

persons other than the storekeeper concerned. It is the duty of each Service Director to ensure that a stocktake is performed at the end of every financial year. No adjustments of stock valuations in the stores accounting records (for write-offs, stock deficiencies, obsolescence, etc) shall be made without the approval of the Director of Finance and Housing.

### **18.9 Financial Records**

The Director of Finance and Housing shall be entitled to receive, from each Service Director, such information as he requires in relation to stores for the accounting, costing and financial records.

## **19. TREASURY AND FUND MANAGEMENT**

### **19.1 Code of Practice**

The Council has adopted the key recommendations of CIPFA's *Treasury Management in the Public Services: Code of Practice*.

Accordingly, the Council has created and will maintain, as its cornerstone for effective treasury management:

- a treasury management policy statement, stating the policies and objectives of its treasury management activities; and
- suitable treasury management practices (TMPs), setting out the manner in which the organisation will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.

The Council will receive reports on its treasury management policies, practices and activities, including as a minimum, an annual strategy and plan in advance of the year, and an annual report after its close, in the form prescribed in its TMPs.

The Council delegates responsibility for the implementation and monitoring of its treasury management policies and practices to the Policy and Resources Committee, and for the execution and administration of treasury management decision to the Director of Finance and Housing, who will act in accordance with the organisation's policy statement and TMPs (**Annex 11**) and CIPFAs Standard of Professional Practice on Treasury Management.

## **20. SECURITY**

### **20.1 Responsible Persons**

Each Service Director is responsible for maintaining proper security at all times for all buildings, stocks, stores, furniture, equipment, cash etc under his control. He shall consult the Director of Finance and Housing in any case where security is thought to be defective or where it is considered that special security arrangements may be needed.

### **20.2 Cash Holding Limits**

The Director of Finance and Housing shall be advised of all cash being held in the custody of any Council officer. Maximum limits for cash holdings shall be agreed with the Director of Finance and shall not be exceeded without his express permission.

### **20.3 Safe Keys etc**

Keys to safes and similar receptacles are to be kept in the custody of the persons responsible at all times; the loss of any such keys must be reported to the Director of Finance and Housing forthwith. The Service Director shall maintain a register of all keyholders.

Keys and combination codes for any safe or strong-room shall not be left on the premises whilst the Council is closed for business purposes to comply with insurance requirements.

### **20.4 Data Security**

The Head of Information Services shall be responsible for maintaining proper security and privacy as respects information held on computer systems.

Each Service Director shall be responsible for the use and security of all data output from Computer Systems.

### **20.5 Pre Printed/Pre Signed Cheques**

The Director of Finance and Housing shall be responsible for ensuring that secure arrangements are made for the storage of pre-printed/pre-signed cheques.

### **20.6 Security and Retention of Documents**

Each Service Director shall be responsible for maintaining proper security, custody and control of all documents within their sphere of operation.

## **21. PRIVATE PROPERTY AND VOLUNTARY FUNDS**

### **21.1 Administration Procedures**

These financial regulations shall apply to the safekeeping of personal property and the administration of Voluntary funds.

### **21.2 Personal Property**

All arrangements for the safekeeping of valuables (such as cash, jewellery, watches, bank books, documents of title etc) deposited with an employee of the Community Social Services Department shall require to be approved by the Director of Finance and Housing. **The Council shall not be responsible for any items of a personal nature taken into the workplace.**

### **21.3 Voluntary Funds**

The Director of Finance and Housing shall be advised of all voluntary funds administered by officers of the Council by reason of their employment (e.g. school funds, comfort funds, etc.). It shall be the duty of such officers to prepare annual accounts promptly and to arrange for the accounts to be audited by a competent person who is independent of the running of the Fund or by the Council's own internal auditor.

All of the conditions of the financial regulations apply to how these funds are operated.

## **22. PARTNERSHIPS AND OTHER EXTERNAL ARRANGEMENTS**

### **22.1 Partnerships**

Partnerships are likely to play a key role in delivering community strategies and in helping to promote and improve the well-being of the Council Area through a shared vision of services based on user wishes. Partnerships may be entered into for a number of reasons:

- the desire to find new ways to share risk;
- the ability to access new resources;
- to provide new and better ways of delivering services; and
- to forge new relationships.

In entering into partnerships, Services must accept that they have common responsibilities with their chosen Partner, including the following:

- a willingness to take on a role in the broader programme appropriate to the skills and resources of the partner organisation;
- to act in good faith at all times and in the best interest of the Partnerships aims and objectives;
- to be open about any conflicts of interest which may arise;
- to promote the sharing of information, resources and skills between all parties in the Partnership;
- to hold confidentially any information received as a result of partnership activities or duties that is of a confidential or commercially sensitive nature; and
- to act wherever possible as an ambassador for the Council in the project.

The Director of Finance and Housing will advise Service Directors on the effective financial controls required from such Partnerships and ensure that the principles of Best Value are adhered to. Such advice should address the key elements of funding projects including scheme appraisal, risk and management appraisal, resourcing and transaction issues, and audit and security controls.

As detailed in Section 13.6, the Finance Division will maintain a register of all contracts entered into with external bodies. Service Directors should ensure that a risk management appraisal has been completed and that any agreements and arrangements made do not impact adversely upon the services already provided by the Council, prior to entering into agreements with external bodies.

Service Directors must also ensure that all agreements and arrangements are properly documented, to the satisfaction of the Assistant Chief Executive, and that the necessary information as determined by the Director of Finance and Housing is provided to enable the Partnership arrangements to be properly accounted for.

### **22.2 External Funding**

External funding is potentially a very important source of income to the Council, but the conditions attached need to be carefully considered to ensure that they are compatible with the aims and objectives of the Council. Whilst

funds from external Agencies provide additional resources to enable the Council to deliver services to the local community it has to be recognised that the funding may be linked to tight specifications and may not be flexible enough to link to the Council's overall plan.

All requests for external grant funding is required to be approved by the Assistant Chief Executive and the Director of Finance and Housing prior to the submission of funding applications.

The Director of Finance and Housing should ensure that arrangements are in place to:

- receive and properly record such income in the Council's accounts;
- ensure that audit and accounting requirements are met; and
- ensure that the funding requirements are considered prior to entering into any agreements, both in the present and the future.

Service Directors must ensure that the project progresses in accordance with the agreed terms of the funding agreement and that all expenditure is properly incurred and recorded. They must also ensure that claims for funds are made by the due date.

### **22.3 Working for Third Parties**

Section 20 of the Local Government in Scotland Act 2003 provides the Council with the power to do anything which it considers is likely to promote or improve the well-being of its area or persons within that area. This will enable the Council to provide a range of services to other bodies. Such work may enable individual Service Units to maintain economies of scale and existing expertise.

Arrangements must be in place to ensure that any risk associated with this work is minimised and that such work is intra vires.

The Director of Finance and Housing is responsible for the issue of such guidance as is required regarding third party contracts, and the maintenance of the contract register. For their part Service Directors must ensure:

- that the approval of relevant Committees is obtained before any negotiations are concluded to work for third parties;
- that a formal agreement is in place (to the satisfaction of the Assistant Chief Executive) regulating the duties and obligations of all parties to the agreement, prior to the commencement of the provision of services
- that a register of all contracts entered into with third parties is maintained in accordance with procedures specified by the Director of Finance and Housing;
- that appropriate insurance arrangements are made;
- that the Council is not put at risk from failure to recover any debts;
- that no contracts are subsidised by the Council;
- that wherever possible, payment is received in advance of the delivery of the service;
- that the Service has the appropriate expertise to undertake the contract;
- that such contracts do not impact adversely upon the services provided by the Council;
- that all contracts are properly documented; and

- that the Director of Finance and Housing is provided with the necessary information to enable the third party relationship arrangements to be accounted for properly

## **Contract Regulations For Building, Engineering and Associated Works**

### **1. INTRODUCTION**

- 1.1 The Director of Finance and Housing has a statutory duty for the proper administration of the Council's financial affairs. Part of the way he manages this is through this set of Contract Regulations. Any breach of, or non compliance with these regulations must be reported to the Director of Finance and Housing. Advice shall be provided to the Chief Executive who shall determine the appropriate action to be taken.
- 1.2 These regulations shall apply to the procurement of all works, goods and services of a Building, Engineering or Associated Nature.
- 1.3 Officers should also ensure adherence to the Financial Regulations and the Staff Rules.

### **2. PROBITY**

- 2.1 These regulations are not a substitute for common sense and judgement and members and staff must exhibit the highest standards of probity when dealing with the Islands Councils affairs.
- 2.2 The Council regards any corrupt practices as completely incompatible with its public service role.

Employees and members must not accept any gifts, loans, fees, hospitality or other advantages with the following exceptions:

- (a) isolated gifts of a trivial character or inexpensive seasonal gifts such as a calendar or diary or other simple items of office equipment of modest value; or
  - (b) normal hospitality associated with the employee's duties and which would reasonably be regarded as appropriate.
- 2.3 Any contractor or supplier offering a gratuity to a Council Officer or Elected Member may be removed from the Councils Tender list.

### **3. CONTRACT FORM**

- 3.1 All contracts must be in writing. Oral contracts are not acceptable and must be confirmed in writing.

### **4. EU PUBLIC PROCUREMENT REGULATIONS**

- 4.1 The European Union has laid down strict rules governing how contracts above a certain value should be processed. All contracts above the minimum

threshold must comply with the European Procurement Directives as well as other UK or Scottish Executive regulation or guidance.

## **5. BEST VALUE**

- 5.1** Section 1 of the Local Government in Scotland Act 2003 obliges the Council to make arrangements which secure best value. Best value is continuous improvement in the performance of the Council's functions. In accordance with best value principles, all proposed and current service arrangements shall be subject to review and option appraisal.
- 5.2** Where it is proposed to accept the offer most economically advantageous to the Contracting Authority, this shall be stated in the invitation to tender. The criteria used to determine the most economically advantageous must be clearly set out in the tender invitation. The most economically advantageous tender shall normally be recommended for acceptance.

## **6. APPROVED LIST OF CONSULTANTS AND CONTRACTORS**

### **6.1 List of Approved Consultants**

- 6.1.1** Approved lists of consultants shall be maintained by the Council's Department of Technical Services. Entry onto the approved lists shall only be granted following satisfactory performance, technical and financial assessments.
- 6.1.2** Technical, financial and performance assessments shall be undertaken for all approved consultants up to date prior to consultancy. The technical, financial and performance assessments shall be used to determine the consultants suitability for work to be undertaken in any period.
- 6.1.3** A review of the consultants performance and their technical and financial capabilities shall be undertaken on completion of each commission of substance and used to determine their suitability for future work.

### **6.2 List of Approved Contractors**

- 6.2.1** Approved lists of contractors shall be maintained by the Council's Department of Technical Services. Entry onto the approved lists shall only be granted following satisfactory technical and financial assessments.
- 6.2.2** Performance, technical and financial assessments shall be undertaken for all approved contractors on at least an annual basis. The financial and technical assessments shall be used to determine the total value of work to be undertaken by any contractor in any period.
- 6.2.3** A review of each contractors performance and their technical and financial capabilities shall be undertaken on completion of each commission of substance and used to determine their suitability for future work.

## **7. PROCUREMENT OF CONSULTANTS**

### **7.1 Specialist Nature of Consultancy**

The appointment of Professional Consultants for technical projects is subject to these regulations. However the specialised nature of technical consultancy

requires appointments to be closely scrutinised, as detailed in the financial regulations, para. 9.1, subject to application of emergency powers, para. 5.4.

## **7.2 Selection of Consultants**

7.2.1 Consultants from the Councils approved list considered suitable for any commission shall be selected and invited to submit a fee bid. In determining suitability due regard must be taken of the consultants:

- Previous Experience
- Performance on previous commissions
- Quality of previous commissions
- Fee Level and Price Certainty
- Any other relevant factors

7.2.2 Fee bids from approved consultants shall be assessed on the basis of the criteria set out in 7.2.1 and the successful consultant selected on the basis of the offer that is in line with the provisions for Best Value, included at para. 5.2.

7.2.3 A record of the consultant evaluation report for each commission shall be signed by the evaluating officer and retained on file for the duration of the commission.

## **7.3 Form of Appointment**

7.3.1 Officers should ensure that a formal agreement and letter of appointment specifies:

- precise scope of the commission
- cost limits and contracts
- lines and levels of reporting
- fee bid
- payment milestones and method of determining completion of work

# **8. PROCUREMENT OF WORKS**

## **8.1 Duty to Invite Tenders**

8.1.1 The Head of Service shall normally invite tenders for the purchase or disposal of goods, works or services where the amount or value or estimated amount or value exceeds £25,000.

8.1.2 The invitation to contractors on the Councils approved list of contractors to express interest in tendering shall normally be in the form of an advertisement placed in appropriate publications.

8.1.3 The procedure for purchases or disposals of works or goods valued at less than £25,000 are detailed in the financial regulations, para. 8.4.

8.1.4 Notwithstanding the above, work of a building, engineering or associated works nature can be procured by the Director of Technical Services from a single provider where the works are of a specialist nature, or no realistic alternative provider exists, or is not available at a reasonable price, or in cases of urgency, provided the estimated value of works is less than £5,000.

Where the estimated value of works exceeds £5,000 prior approval must be sought from the Director of Finance.

## **9. TENDERING**

### **9.1 Inviting Tenders**

9.1.1 A minimum of three and a maximum of six contractors from the Councils approved list shall normally be invited to tender following the advertisement of intention to tender.

9.1.2 Contractors expressing an interest in tendering, following the advertisement of the proposed contract, shall be short-listed.

9.1.3 In determining the short list due regard must be taken of the contractors:

- Approved Contractors status
- Previous Experience
- Performance on previous contracts
- Quality of workmanship
- Adherence to specification, programme and budget
- Any other relevant Factors

9.1.4 In circumstances where the select list of approved contractors is less than three approval must be sought from the Director of Finance.

9.1.5 Each contractor selected for invitation to tender shall be sent copies of tender documents, together with instructions for tendering normally not less than ten working days prior to the tender closing date.

In exceptional circumstances, contractors may be sent tender documents less than ten working days prior to the closing date. Exceptional circumstances shall be determined by the Head of Service.

The Chief Executive's Department shall be notified of all contracts tendered, the tender closing date and time and the opening date and time.

9.1.6 The tender instructions shall indicate the procedure, which must be followed by tenders.' Contractors shall be required to carry sufficient insurance cover (as detailed in the criteria for obtaining approved contractor status) to meet the conditions of contract and all statutory and common law liabilities.

9.1.7 Tender instructions shall be contained within the Contract documents and shall include the following information:

- Method of checking and correcting genuine errors
- Date and time of opening
- Details for returning form of tender and contract documents
- Period of validity of tender
- Procedure for dealing with alterations and qualifications
- Conditions relating to sub-contracting
- Method for notifying preferred bidder and unsuccessful bidders

## **9.2 Return and Opening of Tenders**

9.2.1 Tender documents shall be returned in envelopes clearly marked as tender documents with the tenders' name, contract name and number.

All tenders received shall be logged at the time of receipt and held unopened in a secure place until the tender opening meeting has been convened.

9.2.2 All tenders shall be opened in the presence of not fewer than three persons. Where the estimated value of the tender exceeds £25,000 one of whom must be an elected member of the Council.

9.2.3 The opened form of tender from each offer should be initialled at the top of the page by the Head of Service, or where the estimated value of the tender exceeds £25,000, the elected member.

9.2.4 A Tender Record shall be kept by the tendering issuing department for each contract which details:

- (i) date of issue of tender documentation
- (ii) name and address of contractors receiving tender documents
- (iii) date and time for receipt of tenders
- (iv) amount of tender received or indicative value where the tender comprises a schedule of rates
- (v) amount of corrected tender following checking
- (vi) name and signatures of the persons present at the tender opening
- (vii) the failure of an invited contractor to submit a tender

## **9.3 Late Tenders**

9.3.1 Tenders received after the deadline shall not normally be considered.

Where an exception is considered appropriate it must be approved by the Head of Service, if tender value is under £25,000; or by the Head of Service and the elected member present, if the estimated value of the tender exceeds £25,000. The exception then reported to the next appropriate Committee meeting.

## **9.4 Correction of Tender**

9.4.1 Tenders shall be arithmetically checked in accordance with the procedure set out in the tender documents (see para. 9.1.5) and the three lowest tenders scrutinised.

## **9.5 Negotiated Reduction of Tender**

9.5.1 Where a corrected tender is in excess of the budget available or tender savings are required a tender reduction exercised will be undertaken. This will be done in accordance with the procedure set out in the tender documents. Where negotiated reduction of tender necessitates in a material change to the scope or the budget for the project a report shall be submitted to the next relevant committee meeting to consider the implications of the proposed actions against the original approved project, subject to provisions set out within para. 5.9 of the financial regulations.

- 9.5.2 A detailed record of negotiations will be retained on file for the duration of the project.

## **10. AWARD OF CONTRACTS**

- 10.1** All Heads of Service shall have the authority to accept tenders in accordance with the Council Scheme of Delegation to Officers.
- 10.2** Acceptance of a tender shall be notified in writing to the contractor in accordance with procedures detailed in the tender documents. Unsuccessful tenders' shall be notified of the results of the tender exercise in writing.
- 10.3** Subject to any matters raised in the technical officers evaluation report, the tender most economically advantageous to the contracting authority shall normally be accepted, in accordance to the principles of Best Value laid out in para. 5.2.
- 10.4** Where the acceptance of the lowest tender is not recommended by the evaluating officer, a report must be prepared for the next scheduled appropriate Committee meeting detailing the case for the recommendation to accept other than the lowest tender.
- 10.5** In the case of urgency the Chief Executive in consultation with the Chairman and Vice Chairman can accept the tender which is not the lowest provided details of the tender process and evaluation are reported to the next scheduled meeting of the appropriate Committee, in accordance with the Emergency Powers provisions laid out in the Financial Regulations, Regulation 5.4.

## **11. PAYMENT**

- 11.1** Payments to contractors on account of contracts shall be made on a payment certificate or a certified invoice authorised by the nominated accountable officer / budget holder. The appropriate officer, if required, will produce to the Director of Finance and Housing a detailed statement of account and a copy of all relevant documents prior to the issue of the final certificate
- 11.2** Interim payments to contractors shall be certified by nominated accountable officer / budget holder responsible for the control and supervision of the work.
- 11.3** Receipted VAT invoices shall be obtained for all payments made on contract certificates and passed to the Director of Finance without delay
- 11.4** Claims from contractors in respect of matters not clearly within the terms of any existing contract shall be referred to the Technical Director, the Assistant Chief Executive for consideration of the authority's legal liability, and to the Director of Finance and Housing for consideration of the financial aspects. A report on each proposed ex gratia and/or extra contractual claim shall be submitted to the appropriate Committee for approval.
- 11.5** Where completion of a contract is delayed, the Technical Director concerned shall advise the Director of Finance and Housing of the contract slippage, the

revised timescale, the value of the works and the amount of liquidated damages that may be deducted from the contract sum.

## **12. CONTRACT VARIATIONS**

**12.1** No variation or instruction shall be issued to either the contractor, a consultant, or other officer of the Council, the effect of which would be to increase or reduce the tender price, without the prior written approval of the relevant Service Director to whom the works, goods or services relate.

## **13. CONTRACT INCREASES**

**13.1** Where the cost of a contract is due to rise by more than 5% of the approved budget cost, the increase must be reported to the Policy and Resources Committee, detailing the factors which have resulted in the increase. Procedures for dealing with increases above the sum contained in the Capital Programme are detailed in the Financial Regulations, Regulation 5.10.

## **14. DIRECT SERVICES**

**14.1** These regulations do not currently apply to works carried out by the Council's Direct Services Division, who are able to procure works; goods or services by application of the Direct Services Division Purchasing System as approved by the Technical Services Forum.

**14.2** The Department of Technical Services is currently undergoing a restructuring of its operations. The Direct Services Division's procurement procedures will be re-evaluated by the Technical Services Forum and the Director of Finance and Housing as part of the restructuring process to ensure they provide Best Value for the Council and are consistent with the Contract Regulations for Building, Engineering and Associated Works.

## **15. TAX CERTIFICATE**

**15.1** A valid tax certificate must be submitted by the contractor before any contract is awarded.

## **16. EXCEPTIONAL CIRCUMSTANCES**

**16.1** The Council may at a General Meeting in exceptional circumstances set these regulations aside and enter a contract without inviting tenders, per the exceptional circumstances laid out in Regulation 8.4 of the financial regulations.

