

CITY COUNCIL - 17 OCTOBER 2005

REPORT OF THE DEPUTY LEADER

NEW FINANCIAL REGULATIONS AND CONTRACT PROCEDURE RULES

1 SUMMARY

This report seeks the agreement of Council to the proposed Financial Regulations and Contract Procedure Rules (“the Regulations”) issued in support of the Council Constitution approved by Council in July 2005. If approved, the Regulations will replace Appendix 6 (H) of the Constitution.

2 RECOMMENDATIONS

It is recommended that:-

- 2.1 The proposed Regulations are agreed and replace Appendix 6 (H) of the Constitution;
- 2.2 The delegation to the Chief Finance Officer under Regulation 1.3 is agreed.

3 BACKGROUND

- 3.1 The current Regulations have been in force since August 2004. The amendments to the Regulations in 2004 were restricted to changes of titles etc. known at that time. A comprehensive review of the Regulations in support of the revision of the Constitution has now been undertaken.
- 3.2 The review and the production of the proposed Regulations supports the requirements of the Financial Management strand of the “Gearing Up” agenda.

4 PROPOSALS

- 4.1 Attached to this report at Appendix 1 are the proposed Regulations for agreement by Council. The Regulations prescribe how the Council manages its finances and as such need to be detailed.
- 4.2 Appendix 2 is a summary of the major changes.
- 4.3 Appendix 3 is a summary of the proposed financial limits.
- 4.4 The Regulations are supported by Corporate Financial Process Rules and Standards (“CFPRSs”) which are approved and issued from time to time by the Chief Finance Officer. CFPRSs form part of the Regulations but are not formally approved by Council. Council is asked to agree the delegation proposed in Regulation 1.3. CFPRSs are not included with this report but will be distributed to Executive Members when their separate review is complete.

5 LIST OF BACKGROUND PAPERS OTHER THAN PUBLISHED WORKS OR THOSE DISCLOSING CONFIDENTIAL OR EXEMPT INFORMATION

None

6 PUBLISHED DOCUMENTS REFERRED TO IN COMPILING THIS REPORT

Chartered Institute of Public Financial Accountancy (CIPFA) specimen Financial Regulations.

CIPFA/ Society of Local Authority Chief Executives (SOLACE) guidance on internal financial controls.

**COUNCILLOR MICHAEL EDWARDS
DEPUTY LEADER**

NOTTINGHAM CITY COUNCIL

**FINANCIAL
REGULATIONS**

INCLUDING CONTRACT PROCEDURE RULES

17 October 2005

AMENDMENTS

No. Description

Date Issued

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FINANCIAL REGULATIONS

DEFINITIONS

1 Scope

1.1 The meaning assigned to each expression shall apply throughout the City Council's Financial Regulations.

1.2 Meanings

1.2.1 'Best Value' means the statutory obligation on the City Council to make proper arrangements for securing continuous improvement in the economy, efficiency and effectiveness in the use of its resources and is 'the optimum combination of whole life costs and benefits to meet customer requirements'.

1.2.2 'Capital Expenditure' means all expenditure (from whatever source financed or to be financed) on the acquisition of land and buildings, the erection of buildings, the execution of works of a permanent nature and the purchase of vehicles, plant, machinery, equipment or furniture.

1.2.3 'Chief Finance Officer' means the person designated as the Responsible Finance Officer as set out in the City Council's Constitution to be responsible for ensuring the proper administration of the City Council's financial affairs under Section 151 of the Local Government Act 1972.

1.2.4 'Chief Risk Officer' means the person designated to consider the strategic risks to the City Council and the quantity and quality of risk management being conducted with the Council.

1.2.5 'City Council Department' or 'Department(s)' means all Departments within the City Council whether in the role of client or contractor.

1.2.6 'Corporate Director(s)' means those persons designated as such in Appendix 6(d), Responsibility for Functions, of the City Council's Constitution. For the purposes of these Financial Regulations the Chief Executive and Deputy Chief Executive shall be deemed to be Corporate Directors.

1.2.7 'Corporate Financial Process Rules and Standards' (CFPRSs) are those process rules and standards formally approved by the Chief Finance Officer under delegated powers and which form part of the Financial Regulations.

1.2.8 'Director of Legal Services' means the person exercising the functions of the Authority's Solicitor including the provision of legal advice to the Authority as set out in the City Council's Constitution.

1.2.9 'Emergency' means an occurrence involving or likely to 'involve danger to life or health' or 'serious damage to property' or 'destruction of property'.

- 1.2.10 'Financial Regulations' means the rules of the City Council which include the Contract Procedure Rules (CPRs). They also include Corporate Financial Process Rules and Standards (CFPRSs) which have been formally approved by the Chief Finance Officer.
- 1.2.11 'Formal Contract(s)' means a scheme evidenced by a contract(s) in printed format, either under seal or merely signed, which is therefore not evidenced by the issue of an official order.
- 1.2.12 'Main Financial Systems' means the following financial systems:
- | | |
|---------------------|--------------------|
| Accounts Payable | Cash Receipting |
| Accounts Receivable | Payroll/Personnel |
| Main Accounting | Capital |
| Council Tax | Supporting People |
| NNDR | Corporate Property |
| Rents | Housing Repairs |
| Benefits | Purchasing Cards |
- 1.2.13 'Monitoring Officer' means the person designated as Monitoring Officer as set out in the City Council's Constitution.
- 1.2.14 'Overview and Scrutiny Committee' means the Overview and Scrutiny Committee's Priorities, Performance, Personnel and Finance (3PF) Standing Panel.
- 1.2.15 'Overview and Scrutiny Committee' means the Overview and Scrutiny Committee's Priorities, Performance, Personnel and Finance (3PF) Standing Panel or its successor.
- 1.2.16 'Scheme(s)' means a requirement of the City Council involving the procurement of work, goods, materials or services.
- 1.2.17 'Services Director' means the person responsible for the direct management of services under their control.
- 1.2.18 'Supplier(s)' means supplier(s) of work, goods, materials or services (including any City Council Department), and the expression 'creditor(s)' in CFPRS 13, 'Certification and Payment of Accounts', includes 'suppliers'.

1 OVERVIEW

- 1.1 The City Council is under a statutory obligation to secure Best Value. The City Council's performance on Best Value is the subject of external assessment and contributes to the Comprehensive Performance Assessment (CPA).
- 1.2 The Financial Regulations, which include Contract Procedure Rules (CPRs) and financial aspects of the Constitution, are formally adopted by the City Council and provide the framework for the financial administration of the City Council. The framework is designed to promote sound and proper financial management of the City Council's financial affairs, meet Best Value principles and to safeguard the interests of the City Council, its employees, or any person acting on behalf of the City Council.
- 1.3 Corporate Financial Process Rules and Standards (CFPRSs) are formally approved by the Chief Finance Officer under delegated powers, as part of the Financial Regulations. The Chief Finance Officer may, from time to time, introduce new CFPRSs and amend existing CFPRSs as necessary. The Chief Finance Officer shall notify the Finance Portfolio Holder of new or amended CFPRSs prior to issue.
- 1.4 The Financial Regulations and CFPRSs shall apply to every Board and Committee of the City Council and any person acting on behalf of the City Council and shall be issued by the Chief Finance Officer.
- 1.5 All financial decisions and decisions with financial implications must have regard to proper financial propriety. Where there is any doubt as to the appropriateness of a financial proposal or correctness of a financial action clarification must be sought from the Chief Finance Officer or their Departmental Representative, in advance of any decision or action. Failure to observe Financial Regulations may result in action under the City Council's disciplinary processes.

2 FINANCIAL RESPONSIBILITIES

2.1 Responsibilities of the City Council

All elected Members, employees of the City Council and persons acting on behalf of the City Council are responsible for ensuring that they use the City Council's resources and assets in a responsible and lawful manner. Everyone should strive to achieve the principles of Best Value and avoid any legal challenge to the Council. These responsibilities also apply when Members or Officers represent the City Council on outside bodies.

2.2 Responsibilities of the Officer required under Section 151 of the Local Government Act 1972.

2.2.1 The City Council shall appoint an Officer who shall be the 'Chief Finance Officer' responsible for ensuring the proper administration of the City Council's financial affairs.

2.2.2 The Chief Finance Officer, who must be a member of a specified accountancy body (Section 113, Local Government Finance Act 1988), has the following personal statutory responsibilities:

- a) To make arrangements for the proper administration of City Council's financial affairs (Section 151, Local Government Act 1972).
- b) To report to City Council Members, or the Executive Board, in consultation with the Monitoring Officer and Chief Executive, if there is likely to be unlawful expenditure or an unbalanced budget (Section 114, Local Government Finance Act 1988, as amended).
- c) To advise Members or relevant Officers, in consultation with the Monitoring Officer, about particular decisions where those decisions are likely to be contrary to the agreed policy framework or budget (Local Government Act 2000).
- d) To ensure the adequacies of accounting records and supporting information, control systems and the statement of accounts (Accounts and Audit Regulations 1996: 2003).
- e) To maintain an adequate and effective system of internal audit (Accounts and Audit Regulations 1996: 2003).
- f) To report to the City Council, at the time the budget is considered and the Council Tax set, on the robustness of the budget estimates and the adequacy of financial reserves (Section 25, Local Government Act 2003).
- g) To report to the City Council where, in relation to the previous financial year, it appears that a controlled reserve is or is likely to be inadequate (Section 27, Local Government Act 2003).

2.2.3 The Chief Finance Officer also has the following additional responsibilities:

- a) To set affordable borrowing limits and to arrange the City Council's affairs to remain within those limits (Section 3, Local Government Act 2003).
- b) To prepare three year capital and revenue plans with their consequential impact on Council Tax, taking account of affordability in both the short and long term (CIPFA Guidance).
- c) To keep the City Council's finances under review during the year and to take action if there is evidence that financial pressures will result in budget overspend or if there is a shortfall in income (Section 28, Local Government Act 2003).
- d) To apply best practice in:
 - i) Maintaining strong financial management underpinned by effective financial controls.
 - ii) Contributing to corporate management and leadership.
 - iii) Supporting and advising Members.
 - iv) Supporting and advising Officers in their operational role.
- e) To produce Financial Regulations for adoption by the City Council and to establish CFPRSs as required.
- f) To advise Corporate Directors of any amendments to Financial Regulations, CFPRSs or new CFPRSs and review the values within such Regulations, Rules and Standards as required.
- g) To act as Money Laundering Officer in compliance with the Money Laundering Regulations, 2003.
- h) Produce a robust Financial Plan, in consultation with all Corporate Directors, to achieve efficiency targets set by the City Council and facilitate their delivery.
- i) To produce a statement on financial controls, in consultation with the Chief Risk Officer, for inclusion in the annual Statement of Controls (SIC).

2.2.4 To ensure that the Chief Finance Officer is able to fulfil the responsibilities identified, the post holder shall:

- a) Be able to contribute to papers for corporate management meetings in advance and have access to decisions made.
- b) Have the right to attend meetings of corporate management where financial issues are being considered.
- c) Have unrestricted access to the Chief Executive, the Corporate Services Director, the Monitoring Officer, other Corporate Directors and to Members whenever they consider it appropriate to do so.
- d) Have unrestricted access to external organisations where the Council acts either as Accountable Body or enjoys an external relationship with a Specific Entity.
- e) Have the right to report to Full Council, the Executive Board and the scrutiny function whenever they consider it appropriate to do so.
- f) Have unrestricted access to the City Council's Internal Audit, to external auditors and to other inspectorates.

2.2.5 With the exception of statutory responsibilities reserved personally to the Chief Finance Officer, the responsibilities of the Chief Finance Officer shall be vested in such other Officers as the Chief Finance Officer authorises, in writing, from time to time.

2.2.6 The Chief Finance Officer shall be responsible for appointing Departmental Representatives, in writing, to act on his/her behalf and to assist the Corporate Director or the Officer in whom they have vested their responsibilities, in ensuring the provision of sound financial advice and compliance with Financial Regulations and Corporate Financial Process Rules and Standards within their Department.

2.3 Corporate Directors shall be responsible for:

- a) Consulting with the Chief Finance Officer, or his/her Departmental Representative, on any matter, including submission of plans and/or bids for external funding or potential costs identified through external financial relationships, that is likely to have a financial impact on the capital programme or revenue budget prior to committing the Council to that impact. This Regulation also applies to any Officer in whom the Corporate Director may have vested a responsibility under Financial Regulation 2.3.1.
- b) Managing the financial activities of their Department, within the framework and procedures determined by the Chief Finance Officer and through formal delegations contained in the [City Council's Constitution](#). Corporate Directors must therefore ensure that:

- i) All Officers within their Department are aware of Financial Regulations and CFPRSs, the [Code of Conduct for Employees](#), the [Confidential Reporting Code](#) and the [Anti Fraud Strategy](#).
- ii) Departmental financial arrangements are adequate and effective in order to comply with these Financial Regulations and CFPRSs.
- iii) Departmental measures are taken to confirm the legality of all financial activities.
- iv) An assurance statement is presented, in consultation with the Chief Finance Officer's Departmental Representative, to the Chief Finance Officer in a timescale and format agreed with him/her on the status and functionality of and compliance with Financial Regulations and CFPRSs in their Department. Agreed shortfalls in achievement shall be rectified through detailed action planning, in consultation with the Chief Finance Officer.

2.3.1 Corporate Directors may vest their responsibilities in such other departmental Officers as the Corporate Director authorises, provided that such authorisation is given in writing. Corporate Directors must ensure that they always retain accountability for their responsibilities notwithstanding that such responsibility may have been vested elsewhere within their Department.

2.4 **Personal Responsibilities**

2.4.1 Any person concerned with the use or care of the City Council's resources or assets should ensure that they are fully conversant with the requirements of these Financial Regulations.

2.4.2 All employees shall inform their line manager immediately about any matter that involves or is thought to involve irregularities concerning cash, stores, income, expenditure, assets (including data held by the City Council) or any suspected irregularity concerning the exercise of the functions of the City Council. Line managers should consult with their Corporate Director without delay. Corporate Directors shall consult with the Chief Finance Officer, who shall determine what further information is required and whether any investigation should be undertaken and, if so, the conduct of that investigation.

2.4.3 As an alternative to Regulation 2.4.2, employees may raise concerns under the [Confidential Reporting Code](#) (Whistle-Blowing Procedures). The 'How to raise a concern' section of the code sets out the reporting options available.

2.4.4 Following investigation, the Corporate Director concerned and the Chief Finance Officer shall in consultation with the Chief Executive, consider whether further investigation by the Police is required.

2.4.5 The Chief Finance Officer shall inform the City Council's Monitoring Officer and the Portfolio Holder, Finance regarding any material irregularity.

2.4.6 (As an alternative to paragraph 2.4.2 above, employees may raise concerns under the umbrella off the "[Confidential Reporting Code](#)" (Whistle-Blowing Procedures). The "How to raise a concern" section of the code sets out the reporting options available).

3 FINANCIAL AWARENESS AND FINANCIAL TRAINING REQUIREMENTS

3.1 The Chief Finance Officer shall be responsible for:

- a) Producing and submitting to the Executive Board a corporate financial awareness strategy for both Members and Officers, to enable them to undertake their relevant roles effectively.
- b) Undertaking periodic financial skills audits to assess current skills and future needs, including required training.
- c) Liaising with Corporate Directors, concerning the provision of effective financial training utilising all available resources.
- d) Setting standards of training in the use of main financial systems, as detailed in CFPRS 27, prior to unsupervised use.

3.2 Corporate Directors shall be responsible for:

- a) Implementing, in consultation with the Chief Finance Officer, departmental financial training programmes in support of the corporate financial awareness strategy.
- b) Ensuring that departmental Officers concerned with financial matters are fully conversant with the City Council's constitution and Financial Regulations.
- c) Liaising with the Chief Finance Officer in the recruitment process for departmental finance staff.
- d) Ensuring that Officers, including any temporary Officer appointments, have received appropriate financial training, to the standard detailed in CFPRS 27, and have been accredited as having received such training, before they are permitted to sign requisitions, orders or contracts, or to access the City Council's main financial systems to undertake either unsupervised input or authorisation. Access to the City Council's main financial systems for training provision must be fully supervised.

4 FINANCIAL ADMINISTRATION & ACCOUNTING PRACTICES

4.1 The Chief Finance Officer shall be responsible for:

- a) Specifying and agreeing the financial administration and accounting practices to be followed within the City Council and within any Specific Entity where the City Council has a controlling interest or with which it has as a Management Agreement or where it acts as the Accountable Body.
- b) Ensuring that all accounting records comply with statutory requirements, codes of practice etc, and setting standards in liaison with the City Council's external auditors for effective procedures concerning the closure of the final accounts.
- c) Certifying directly or through nominated Officers, all grant claims, financial returns or periodic financial information required of the City Council and ensuring their timely submission.
- d) Monitoring the effectiveness of financial procedures and processes and reporting annually the results and any recommendations to the Executive Board.

4.2 Corporate Directors shall be responsible for:

- a) Implementing financial administration and accounting procedures determined by the Chief Finance Officer and adopting detailed financial records as agreed with the Chief Finance Officer.
- b) Ensuring the full use of the City Council's main financial systems, except in exceptional circumstances agreed with the Chief Finance Officer.
- c) Providing departmental support in the keeping and closing of the City Council's accounts, in particular that background documentation is available, which meets the standards set by the Chief Finance Officer in liaison with the City Council's external auditors.
- d) Obtaining the approval of the Chief Finance Officer, or his/her Departmental Representative, prior to introducing or significantly changing financial administration/accounting procedures or associated financial records.
- e) Ensuring that the Chief Finance Officer and/or his/her Departmental Representative are provided with departmental support which allows the timely submission of grant claims, financial returns or periodical financial information and makes verification easy, through a transparent audit trail.

- f) Security and confidentiality of financial information within their Department, including adherence to guidelines issued by the Chief Risk Officer, relating to data protection legislation.
- g) Maintaining a proper separation of duties, relating to staff with financial responsibilities.
- h) Acting to implement the recommendations of reports issued by the external auditors in consultation with the Chief Finance Officer and their Departmental Representative and the appropriate Service Portfolio Holder where relevant.

4.3 Dispensations from Financial Regulations

4.3.1 There will be no dispensations from Financial Regulations, except in the following circumstances:

4.3.1.1 Emergency Action

In the event of an emergency, Corporate Directors are empowered to authorise all necessary actions. The Corporate Director shall notify the Chief Finance Officer, in writing, of the circumstances and estimated financial impact and report formally to the relevant Portfolio Holder.

4.3.1.2 Operational Issues

Where the Chief Executive or a Corporate Director considers that there are justifiable reasons for dispensing with Contract Procedure Rules within Financial Regulations they may do so, in consultation with the Chief Finance Officer, provided that the Chief Executive or the Corporate Director obtains the agreement of the relevant Portfolio Holder through the Portfolio Holder decision process.

4.3.1.3 Executive Decisions by Members

With the prior approval of the Executive Board or the relevant Service Portfolio Holder, in consultation with the Finance Portfolio Holder, the provisions of the Contract Procedure Rules within Financial Regulations may be dispensed with. The Chief Finance Officer's observations must be included in any report seeking such a dispensation. The relevant Corporate Director shall report the circumstances to the next meeting of the Overview and Scrutiny Committee.

4.3.2 The Director of Legal Services shall ensure that a dispensation register records all the reasons and circumstances of dispensations granted under Financial Regulation 4.3.1.2 and 4.3.1.3.

4.4 **Joint Reporting on issues having a financial impact on the revenue budget or capital programme.**

4.4.1 Reports requiring a financial decision.

a) Reports to the Service Portfolio Holder that have an estimated financial impact in a full year on the revenue budget of £200,000 or more, or a financial impact on the capital programme of £400,000 or more shall be Joint Reports by the Corporate Director and the Chief Finance Officer.

b) Reports to the Executive Board that have an estimated financial impact in a full year on the revenue budget of £500,000 or more, or on the capital programme of £1,000,000 or more shall include a detailed risk assessment and shall be joint reports by the Corporate Director and the Chief Finance Officer.

c) All formal portfolio Budget reports and quarterly Budget monitoring reports shall be joint reports by the Chief Finance Officer and the relevant Corporate Director.

4.4.2 Briefing Papers and other Reports requiring a financial decision by Departmental Management Teams.

a) Where joint reports are not required under Financial Regulation 4.4.1 the observations of the Chief Finance Officer must be included in Briefing Papers and other Reports as a minimum.

4.4.3. The Chief Finance Officer has the authority to withdraw or delay any report or request for a financial decision by Members, Strategic Management Team or Departmental Management Teams under the circumstances identified in CFPRS 3, Key Requirement 5.

5 **PROCESS OWNERS, FINANCIAL CONTROLS, PROCESS RULES AND STANDARDS**

5.1 The City Council is a large public body responsible for spending and collecting a significant amount of public money. The City Council has to ensure proper controls and standards are applied to all its activities in order to eliminate the opportunity for theft, fraud or corruption and to ensure the continued development of its financial systems in order to deliver Best Value. The system of controls is operated via 'financial processes'.

5.2 The Chief Finance Officer shall be responsible for:

- a) Appointing Process Owners, in writing.
- b) Agreeing Key Financial Controls with the Process Owners, on which he/she will place reliance, on an annual basis in consultation with Internal Audit.
- c) Producing a personal statement on financial controls in consultation with the Chief Risk Officer to inform the annual Statement of Internal Controls (SIC).

5.3 The Process Owners shall be responsible for:

- a) Determining rules, standards and targets associated with individual corporate financial systems and processes.
- b) Reporting to the Chief Finance Officer in a timescale and format agreed with him/her on the effectiveness and adequacy of the their financial processes and on the status of the key controls that the Chief Finance Officer has agreed with them.
- c) Constantly reviewing and benchmarking the performance of the processes for which they have responsibility and for recommending to the Chief Finance Officer any developments that will improve Best Value.

5.4 Corporate Directors shall be responsible for:

- a) Considering, approving and monitoring departmental arrangements in place to ensure compliance with Financial Regulations and CFPRSs as required under Financial Regulation 2.3 (b).
- b) Providing an Assurance Statement for the Chief Finance Officer in consultation with their Departmental Representative, on the status, functionality of and compliance with Financial Regulations in their Department in a timescale and format agreed with them as required under Financial Regulation 2.3 (b) (iv).

6 STRATEGIC DIRECTION AND FINANCIAL PLANNING

6.1 Revenue Budget Planning

6.1.1 The [Strategic Plan](#) and the associated service/business plans that support it provide a clear statement of the prioritisation of resources, required outputs/outcomes, and incorporate action plans detailing responsibility for achievement and success.

- 6.1.2 The Executive Board shall be responsible for overall financial planning to enable the City Council to undertake its plans.
- 6.1.3 The City Council shall approve the budget, including the allocation of financial resources, the level of reserves and contingency, setting the council tax base and the level of council tax on the recommendation of the Executive Board.
- 6.1.4 The Chief Finance Officer shall, after consultation with the Chief Executive and Strategic Management Team, be responsible for advising the Executive Board on the following issues:
- a) Medium term financial planning and budgetary policy.
 - b) Estimated resources available for strategic planning purposes.
 - c) Estimated level of spend, based on inflation projections and agreed City Council plans and strategies.
 - d) Corporate instructions, procedures, and timetables.
 - e) Actual level of resources available, corporate budget methodology, and level of local tax to be raised.
- 6.1.5 Corporate Directors shall be responsible for:
- a) Agreeing, with the relevant Service Portfolio Holder, budgets within resources allocated by the Executive Board, having followed any procedural guidance and advice from the Chief Finance Officer.
 - b) Ensuring that Officers in their Department use the City Council's main financial system fully to facilitate the corporate budget process.
- 6.2 **Capital Planning and Resourcing:**
- a) The Chief Executive and the Chief Finance Officer shall be responsible for submitting a joint report annually to the Executive Board, detailing the current capital programme, having regard to the [Asset Management Plan](#) of the City Council.
 - b) The Chief Finance Officer shall be responsible for:
 - i) Submitting, annually to the Executive Board, a report on the projected capital resources available and current programmed spend for the ensuing three financial years.
 - ii) A regular review of available methods of financing the City Council's capital investment programmes.

- iii) Recommending the allocation of available resources to the Executive Board.

7 AUTHORISING, CONTROLLING & EFFECTIVE USE OF REVENUE RESOURCES

The annual budget provides an ability to spend in accordance with agreed priorities, which may be implied or through specific initiatives. The City Council shall continually strive to improve its services to achieve Best Value, the City Council's budget management framework facilitating this aim through flexibility and innovation, whilst ensuring that control is exercised and responsibilities determined.

The Executive Board has overall responsibility for monitoring financial performance against the budget during the financial year, considering significant developments affecting the financial position of the City Council and determining how any changed circumstances will be resolved.

7.1 Unbudgeted Income and Control of New Externally Generated Spending Commitments

7.1.1 The Chief Finance Officer shall be responsible for determining whether unbudgeted income is of a windfall nature and should be added to corporate reserves.

7.1.2 Corporate Directors shall be responsible for:

- a) Authorising revenue spending and obtaining income within their departmental budgets, including revising fees and charges.
- b) Ensuring that efficiency savings identified, actually materialise before committing resources to new initiatives, thus mitigating any possibility of overspending resources allocated to them.
- c) Containing new externally generated spending commitments that arise during the year, within budgeted resources, efficiency savings and unbudgeted income.
- d) Consulting with the Chief Finance Officer as soon as possible in relation to new externally generated spending commitments that cannot be contained within budgeted resources as required under Financial Regulation 2.3 (a) and CFPRS 4.

7.2 **Efficiency Savings**

7.2.1 Corporate Directors, in consultation with the Chief Finance Officer or his/her Departmental Representative, shall consider the requirement of the Financial Plan to achieve efficiency saving targets required under Financial Regulation 2.2.3 (h), prior to allowing any released resources and any unbudgeted income received to be used to provide new initiatives or operational improvements.

7.3 **Consultation and Reporting**

7.3.1 The Chief Finance Officer shall be responsible for creating and maintaining an effective process that enables the financial impact of proposals to be fully considered, before decisions are taken regarding the corporate finances of the City Council, policy initiatives or operational issues.

7.3.2 Corporate Directors shall be responsible for:

- a) Ensuring effective consultation between departmental Officers considering new proposals that have a financial impact and the Chief Finance Officer or their Departmental Representative, within agreed timescales to ensure that financial advice is fully considered as part of the evaluation process.
- b) Ensuring that formal written reports requiring a financial decision are submitted and that such reports comply with Financial Regulation 4.4.1 or 4.4.2.

7.4 **Virement** (moving resources from one budget head to another)

7.4.1 Corporate Directors are charged with delivering the policies of the City Council and achieving Best Value in service provision. Departmental managers are allowed to move budgeted resources around to encourage operational creativity and innovation, provided that their total resource allocation is not exceeded, and the policy/service objectives in the approved Strategic Plan (and related Service Plans) are not compromised.

7.4.2 CFPRS 4 details the way in which the City Council monitors performance against budgets, the way in which virement should be authorised and recorded and the circumstances where it is not allowed or may be suspended by the Chief Finance Officer in consultation with the Chief Executive and the Portfolio Holder, Finance.

7.5 **Budgetary Control**

7.5.1 The Chief Finance Officer shall be responsible for:

- a) Advising the Executive Board, after consultation with the Chief Executive and Strategic Management Team, on the following:
 - i) Actuals and projected out turns against the budget (on a quarterly basis).
 - ii) Significant developments affecting the financial position of the City Council, as soon as they arise.
 - iii) How changed circumstances notified under Financial Regulation 7.5.2 (f) could be resolved, which Corporate Directors have advised the Chief Finance Officer, cannot be contained within budgeted resources.
- b) Providing guidance to Corporate Directors on monitoring their budget and establishing and co-ordinating the corporate budget monitoring process.

7.5.2 Corporate Directors shall be responsible for:

- a) Managing expenditure so that the resource allocation is not exceeded, and ensuring that any matter that is likely to affect the revenue budget is brought to the attention of the Chief Finance Officer, or his/her Departmental Representative, as required under Financial Regulation 2.3 (a).
- b) Allocating budgets to departmental budget holders who should be individually named.
- c) Ensuring that budget holders carry out their duties, in respect of monitoring and keeping net spending within their budget allocation.
- d) Monitoring progress on revenue spending and obtaining income and ensuring that total net spending within their Department does not exceed budgeted resources, as required under CFPRS 4.
- e) Providing the Chief Finance Officer with all requested information on a timely basis, as outlined in the corporate budget/monitoring process, as detailed in CFPRS 4.
- f) Monitoring the outcomes of proposals that previously required an executive decision by Members and reporting to those Members where income received and/or expenditure incurred, varies from the original information on which the decision was made, by more than 10%. Such reports shall comply with Financial Regulation 4.4.

7.6 Treatment of Overspending, Underspending & Trading Outcomes at the Year End

Overspends

7.6.1 Departmental overspending should not occur if effective budget monitoring and the flexibility within budget management have been utilised. Any departmental overspendings that do occur shall be investigated and shall be the subject of a joint report to the Executive Board by the Corporate Director and the Chief Finance Officer.

7.6.2 The relevant resource allocation for the following year shall be reduced by the equivalent overspending unless any exceptional case is agreed by the Executive Board.

Underspends

7.6.3 Where departmental underspends are identified, whether they should be carried forward and earmarked for future departmental use shall be the subject of a joint recommendation to the Executive Board by the Corporate Director and the Chief Finance Officer.

Trading Outcomes

7.6.4 The treatment of trading account surpluses/deficits, where actuals are above or below 'bottom line' targets shall be contained within the [Scheme for Trading Account Operation](#), which shall be approved by the Executive Board and updated as required.

8 AUTHORISING & CONTROLLING CAPITAL SPENDING & THE UTILISATION OF CAPITAL RECEIPTS

8.1. Approval Process and Quality Assurance

8.1.1 Effective capital investment is a key factor in meeting the City Council's objectives outlined in the [Strategic Plan](#). It is essential, therefore, that the capital investment planning process provides assurance and support to the City Council in seeking to achieve its strategic objectives.

8.1.2 In order to provide such assurance, all schemes of £400,000 or more may be subject to the principles of the Gateway Review process as required under CPR 4 and as detailed in CFPRS 26. The process has a number of reviews which cover the lifecycle of a project and include pre contract award, service implementation, and confirmation of operational benefits.

8.1.3 The Project Appraisal Group (PAG) shall be responsible for determining the level of the review process to be adopted for capital schemes of £400,000 or more and for undertaking or overseeing the process.

- 8.1.4 Unless otherwise agreed by PAG in exceptional circumstances, all schemes of £1,000,000 or more and less than £5,000,000 shall be the subject of an internal peer Gateway Review whilst schemes of £5,000,000 or more shall be the subject of an external Gateway Review. The Gateway Review process shall be carried out in accordance with CFPRS 26.
- 8.1.5 Corporate Directors shall be responsible for ensuring that all schemes of £400,000 or more are submitted to PAG before any expenditure is committed or incurred.
- 8.1.6 CFPRS 26 establishes the levels of appraisal and review required for schemes with a value of less than £400,000.
- 8.1.7 'Block' provisions shall be kept to a minimum to enable the review process to be effectively undertaken.

8.2 **Programme Submissions and Bidding Processes**

- 8.2.1 Schemes should not be included in a programme submission or a bidding regime until they have undergone a prioritisation process in line with the corporate [Capital Strategy](#) and have been effectively appraised by PAG where required under Financial Regulation 8.1.3.

8.3 **Compilation and Approval of the Capital Programme**

8.3.1 **Programme Submission and/or Bidding Regimes**

- i) A joint report of the relevant Corporate Director(s) and the Chief Finance Officer be submitted to the Executive Board. The report shall provide the latest information on submissions and bids and seek approval to incorporate investment schemes into the Capital Programme.

8.3.2 **Schemes not subject to Programme Submission and/or Bidding Regimes**

- i) Schemes of £1,000,000 or more (Key Decisions)

A joint report of the relevant Corporate Director, the Chief Finance Officer seeking to include the scheme in the Capital Programme, shall be submitted to the Executive Board for approval (if appropriate, as part of the corporate quarterly monitoring report) as required under Financial Regulation 4.4.1 (b).

ii) Schemes less than £1,000,000

Corporate Directors should seek approval to include a scheme in the Capital Programme from the Service and Finance Portfolio Holders. The approval shall be subject to joint reporting as required under Financial Regulation 4.4.1 (a).

8.3.3 The Executive Board shall receive an annual report from the Chief Finance Officer before the start of the financial year detailing the programme of capital investment and be responsible for monitoring and authorising any changes appropriate during the financial year.

8.4 **New Capital Schemes**

8.4.1 To allow further capital schemes, the appraisal and approval processes as required under Financial Regulations 8.1, 8.2, and 8.3 shall be followed.

8.5 **Authorising Commencement of the Scheme**

8.5.1 A capital scheme can only be authorised if the scheme has been through the approval route as required under Financial Regulations 8.1, 8.2 and 8.3 and is, therefore, within the Capital Programme approved by the Executive Board. In addition, an uncommitted budget must be available to cover the expenditure. The limits for authorising commencement on a scheme are as follows:

Limits

Corporate Directors	£400,000
Service Portfolio Holder	Up to £999,999
Executive Board	Unlimited

8.5.2 After authorisation, Corporate Directors shall be responsible for:

- i) Implementing schemes as soon as possible to facilitate City Council policy and outcome requirements.
- ii) Seeking and accepting quotations or tenders and commencing schemes, subject to:
 - Ensuring that any associated revenue expenditure can be contained within the relevant resource allocation; and
 - Compliance with Contract Procedure Rules.

8.6 Emergency Action

8.6.1 Where an emergency occurs, Corporate Directors are empowered to authorise all necessary actions under Financial Regulation 4.3.1.1, subject to a written notification of the circumstances and costs to be added to the capital programme to the Chief Finance Officer and a formal report to the relevant Portfolio Holder.

8.7 Monitoring and Controlling Capital Spending Against Scheme Approvals and Total Resources

8.7.1 The Chief Finance Officer shall be responsible for:

- a) Providing guidance on and co-ordinating the Capital Programme monitoring procedures.
- b) Providing updates on the resources available.
- c) Providing an aggregate statement of estimated payments and resources available.

8.7.2 Corporate Directors shall be responsible for:

- a) Controlling the expenditure on individual schemes, and their overall programme, so it does not exceed the resources allocated, and ensuring that any matter that is likely to affect the capital programme is brought to the attention of the Chief Finance Officer, or his/her Departmental Representative as required under Financial Regulation 2.3 (a).
- b) Monitoring progress on the actual implementation of the approved capital schemes.
- c) Ensuring that scheme approvals are not exceeded by providing effective performance management through named Project Managers and Departmental Capital Managers.
- d) Providing the Chief Finance Officer with requested information on a timely basis to allow effective corporate monitoring to take place.
- e) Achieving the outcomes associated with individual capital schemes.

8.7.3 The Chief Finance Officer shall, after consultation with the Strategic Management Team, report to the Executive Board, on a quarterly basis on:

- a) Progress on implementing the Capital Programme.
- b) Additions to and deletions from the Programme.

- c) The ongoing position regarding available resources.
- d) Any recommendations concerning remedial action which may be required, due to significant cost overruns or anticipated reductions in resources.

8.8 Reporting on the Review Process

The reporting process on each scheme shall be as follows:

8.8.1 Schemes of £1,000,000 or more

- a) Reports shall be submitted to the Executive Board, the relevant Corporate Director(s), and the Chief Finance Officer, throughout the lifecycle of the scheme and shall include the service and cost outcomes. CFPRS 26 details the circumstances of this requirement and the exceptions to it.

8.8.2 Schemes less than £1,000,000

- a) Where PAG have determined that a review was required for a particular scheme, the provisions of Financial Regulation 8.8.1 shall apply.

8.9 Treatment of Underspending and Overspending Scheme Approvals

8.9.1 Underspending shall be allocated as follows:

- a) For reinvestment where the scheme is in respect of schools, HIP, or the LTP.
- b) For reallocation where the scheme is being financed from corporate General Fund resources.

8.9.2 Overspending

Cost overruns shall be reported to Members as follows:

- a) Ongoing Schemes: shall be reported to the Executive Board, within the quarterly monitoring report required under Financial Regulation 8.7.3. Corporate Directors shall be responsible for providing detailed commentary on the reason for the cost overrun.
- b) Completed Schemes: cost overruns of greater than 10% shall be reported to the Executive Board, such reports shall comply with the requirements of Financial Regulation 4.4.

and, in all cases, the Corporate Director/Portfolio Holder will be responsible for identifying within their capital budget allocations, the resources necessary to complete the scheme.

8.10 **Creating and Utilising Capital Receipts**

- 8.10.1 The City Council has a defined methodology for the [Allocation of Capital Receipts](#) from the disposal of assets, which is reviewed from time to time and agreed by the Executive Board. The allocation of capital receipts recognises that assets are disposed of as a result of differing circumstances. Corporate Directors should be proactive in utilising the incentives offered through the active restructuring of services in meeting Best Value.

9 **EXTERNAL RELATIONSHIPS AND ACCOUNTABLE BODY STATUS**

Note: Financial Regulations 9.1 and 9.2 should be read in conjunction with the City Council's [Partnership Toolkit](#).

9.1 **Setting up of Specific Entities (Companies, Trusts, Partnerships, Joint Ventures, etc)**

Financial Regulation 2.2.4 (d) requires that the Chief Finance Officer has unrestricted access to external organisations where the Council acts either as Accountable Body or enjoys an external financial relationship with a Specific Entity. Lead Officers or the Chief Finance Officer's Representative shall ensure this requirement is met.

Financial Regulation 4.1 (a) requires that the Chief Finance Officer agrees the financial administration and accounting practices to be followed within the City Council and within any Specific Entity where the City Council has a controlling interest or where it has as a Service Level Agreement or Management Agreement or where it acts as the Accountable Body. In order to facilitate this requirement consideration shall be given to the following stages:

The Appraisal Process

- a) A named Lead Officer shall be appointed by the Corporate Director to project manage the appraisal process.
- b) The Lead Officer shall be responsible for:
 - i) Consulting the Chief Finance Officer and Chief Risk Officer to ensure the appropriateness and validity of the business structure, including a detailed risk evaluation.
 - ii) Consulting the Chief Finance Officer to ensure that the required business plan is validated.
 - iii) Ensuring that required outputs and outcomes form an integral part of the business plan.

- iv) Consulting the Chief Finance Officer in order that a full financial evaluation of the effect on the City Council is undertaken before any commitment to the project is made. This Financial Regulation 9 should be read in conjunction with Financial Regulations 2.3 (a) and 10.
 - v) Consulting the Chief Finance Officer to ensure that an effective exit strategy is determined.
 - vi) Consulting the Director of Legal Services regarding the legal position.
- c) A joint report of the Lead Officer, Chief Finance Officer, Chief Risk Officer and the Director of Legal Services shall be presented to Members for an executive decision.

The Creation Process

- d) A named Lead Officer shall be appointed to represent the interests of the City Council and to assist in project managing the creation of the new entity.
- e) The Lead Officer shall be responsible for:
- i) Ensuring through the Director of Legal Services that the City Council's legal position is validated.
 - ii) Ensuring through the Chief Finance Officer and Chief Risk Officer that all financial and other risks are reported and mitigated.
 - iii) Ensuring that Financial Regulations, specific to the relevant entity are produced and approved by the Chief Finance Officer and the Entity Management Committee or Board.
 - iv) Ensuring that the City Council has appropriate access to all relevant records and information.
 - v) Ensuring through the Chief Finance Officer and Chief Risk Officer that from its inception, the financial practices of the new entity comply with all statutory financial requirements in order to eradicate/mitigate risk to the City Council. This Financial Regulation 9 should be read in conjunction with Financial Regulation 10.
 - vi) Ensuring that Officers of the relevant entity safeguard the interests of City Council Members and Officers (acting as Committee/Board members) through appropriate insurance arrangements.

- vii) A joint report of the Lead Officer, Chief Finance Officer, Chief Risk Officer and the Director of Legal Services shall be presented to Members for an executive decision where any issues emanating from the creation process are significantly different from the evaluation process.

Monitoring Performance

- viii) Ensuring through the Chief Finance Officer that there are agreed lines of reporting on financial activity, allowing the City Council to monitor financial performance on an ongoing basis and to be fully informed at the earliest opportunity, especially in the light of special or unforeseen circumstances that may affect the financial relationship.
- ix) Ensuring through the Chief Finance Officer that there are systems in place that support the need to deliver Best Value.
- x) Ensuring through the Chief Finance Officer, the Director of Legal Services and the Chief Risk Officer, that any contractual arrangements being considered by the new entity demonstrate Best Value for the City Council.

9.2 Accountable Body

- a) Where the City Council, as a member of a partnership bidding for capital and revenue funds under various grant programmes, is to act as the Accountable Body, it automatically assumes accountability for the financial probity of the Partnership in relation to the receipt and use of that grant. In order to eradicate or minimise risk to the City Council acting in this capacity, an Accountable Body Team shall be appointed to ensure that the requirements of the Chief Finance Officer are met. The Team shall be responsible for advising the Partnership on procedures to be adopted to fulfil the requirements for funding laid down by the Government or any other funding body or organisation under that programme.

b) Requirements of the Accountable Body Team

The Accountable Body Team, which may include Officers from a number of different Departments, must include dedicated Representatives of the Chief Finance Officer. The Team shall be responsible, on behalf of the Chief Finance Officer, for ensuring that proper procedures are adopted by the Partnership which are in accordance with the requirements of funding. Detailed requirements are identified in CFPRS 2.

Note: Officers of the Authority who are responsible for delivering services for which grant funding is to be received from the Partnership shall not be deemed representatives of the Accountable Body Team.

c) Monitoring Performance

- i) Ensuring through the Chief Finance Officer that there are agreed lines of reporting on financial activity, allowing the City Council to monitor financial performance on an ongoing basis and to be fully informed at the earliest opportunity, especially in the light of special or unforeseen circumstances that may affect the financial relationship.
- ii) Ensuring through the Chief Finance Officer that there are systems in place that support the need to demonstrate Best Value. This shall include monitoring the level of spend on administrative support to ensure compliance with the agreed limits over the lifetime of the scheme.

9.3 **Other Relationships not defined in Financial Regulation 9.1 or 9.2**

Where other relationships are identified that do not meet the criteria and/or requirements of Financial Regulations 9.1 or 9.2, the Corporate Director, in consultation with the Departmental Representative, shall agree the key controls and reporting requirements with the Chief Finance Officer.

10 **MANAGEMENT OF CORPORATE RISK ARRANGEMENTS**

10.1 **Risk Management**

10.1.1 Corporate Directors shall be responsible for:

- a) Ensuring that the Chief Risk Officer has unrestricted access to their departmental Risk Registers.
- b) Undertaking risk assessments on services and ensuring documentation is available (See corporate [Risk Register format](#))
- c) Ensuring that risks are mitigated and reviewed regularly.
- d) Ensuring that an effective and tested [Business Continuity Plan](#) is in place.

10.1.2 The Chief Risk Officer shall be responsible for producing an effective corporate risk management strategy and policy which Corporate Directors shall be responsible for implementing.

- 10.1.3 Corporate Directors shall ensure that the Chief Risk Officer is consulted about any arrangements involving the creation of a separate entity or where the City Council is acting as Accountable Body as required under Financial Regulation 9.2.
- 10.1.4 Before the City Council undertakes any project, or proposes to act as guarantor, where the estimated financial impact in a full year on the revenue budget is £500,000 or more, or the financial impact on the capital programme is £1,000,000 or more, a detailed risk assessment as outlined in CFPRS 5, shall be carried out and included within any report to the Executive Board or decision making body. The report shall be a joint report of the relevant Corporate Director and the Chief Finance Officer.

11 **INSURANCE ARRANGEMENTS**

- 11.1 The City Council's Insurance Service shall be responsible for arranging all relevant insurance cover.
- 11.2 Corporate Directors shall be responsible for ensuring that all property, equipment, cash and appropriate risks, for which loss arrangements should be in place are notified to the City Council's Insurance Service, to allow effective strategies to deal with such losses to be effected.

12 **TREASURY MANAGEMENT**

- 12.1 The City Council has formally adopted the Chartered Institute of Public Finance and Accountancy's [Code of Practice Regarding Treasury Management in the Public Services](#).
- 12.2 The Chief Finance Officer shall submit annually:
- i) To the City Council a report proposing borrowing limits for the ensuing financial year.
 - ii) To the Executive Board a "policy and strategy" statement for the ensuing financial year.
 - iii) To the Executive Board a report on the previous years Treasury Management operations.
- 12.3 Decisions on borrowing, investments or financing shall be delegated to the Chief Finance Officer, including the refinancing of loan debt.
- 12.4 All day to day transactions concerning borrowing or investing surplus money shall be carried out solely by the Chief Finance Officer.

12.5 All leasing arrangements made on behalf of the City Council shall be transacted by the Chief Finance Officer or by an appropriate Corporate Director with the agreement of the Chief Finance Officer.

12.6 The Chief Finance Officer may delegate, within an approved written framework, the power to undertake specified transactions on a day to day basis, to named Officers.

13 INTERNAL AUDIT & CONTROL MEASURES

13.1 The annual audit plan shall be approved by the Executive Board each year following consultation between Corporate Directors, the Chief Finance Officer and the Chief Risk Officer. The Chief Finance Officer shall:

- a) Arrange a continuous internal audit to review and appraise:
 - i) The adequacy of financial processes, procedures, controls and standards; the effectiveness of the financial system in ensuring accuracy, completeness and timeliness; the methods in place for outcome monitoring and reporting against standards and performance indicators or targets.
 - ii) The extent of corporate compliance with the City Council's policies, plans and procedures.
 - iii) The extent to which the City Council's assets and interests are accounted for and safeguarded from losses of all kinds.
 - iv) The accuracy of the reports issued to the Chief Finance Officer in support of his/her Section 151 responsibilities.
- b) Have power to directing the City Council's Internal Audit to investigate any other matter involving the City Council.
- c) Maintain an [Anti Fraud Strategy](#), amendments to which, together with outcome monitoring, shall be submitted annually to the Executive Board.

13.1.1 For the above purposes, the Chief Finance Officer, or their authorised representative(s) shall have authority to:

- a) Require Corporate Directors to provide information on the financial and other management controls operating within their Department.
- b) Make visits to and enter (without notice) into all City Council establishments at any time, subject to any legal constraints.
- c) Have access to all records and property of the City Council.

- d) Require any employee of the City Council to produce cash, stores, tickets or any other property of the City Council under their control.
- e) Require and receive such explanation as is considered necessary.

13.2 Corporate Directors shall be responsible for:

- a) Implementing without undue delay recommendations made by and agreed with the City Council's Internal Audit.
- b) Investigating in consultation with the Chief Finance Officer, failures of internal or financial controls and implementing any remedial action thought necessary.

13.3 The City Council's Internal Audit shall be responsible for:

- a) Agreeing, in consultation with the relevant Process Owner and the Chief Finance Officer those Key Financial Controls on which he/she will place reliance on an annual basis.
- b) Reporting immediately to the Chief Finance Officer and to the relevant Process Owner when controls on which reliance has been placed by the Chief Finance Officer or the rules, standards and targets set by the Process Owner are not found to be in operation.
- c) Reporting on the findings of each audit to the Chief Finance Officer on the status of each financial system against the requirements outlined under Financial Regulation 13.1.
- d) Informing the process leading to the creation of an annual Statement of Internal Control.

**FINANCIAL REGULATIONS
RELATING TO LOCALLY MANAGED
SCHOOLS**

1 **FINANCIAL REGULATIONS RELATING TO LOCALLY MANAGED SCHOOLS**

1.1 **General**

- a) Under the Fair Funding Scheme, Governing Bodies must comply with the conditions specified under the Scheme and also with the City Council's Financial Regulations in so far as they are compatible with the Scheme itself.
- b) All references to the Governing Body shall be deemed to refer to the Governing Body of the relevant Locally Managed School.
- c) All queries regarding financial matters shall be referred initially to the Director of Education.

1.2 **Governing Body**

- a) The Governing Body shall:
 - i) Ensure that the school's budget is expended in accordance with the Articles of Government as defined in the School Standards and Framework Act 1998, or its successor; and
 - ii) Ensure that the school's financial matters are conducted in accordance with the requirements of these Financial Regulations.
- b) The Governing Body is not empowered to:
 - i) Incur capital expenditure unless funded from within delegated funding;
 - ii) Enter into, or terminate, any leasing arrangement(s) without the agreement of the Chief Finance Officer.
 - iii) Enter into, or terminate, any arrangements(s) in connection with the buying and selling or granting of interests in land and/or buildings; and
 - iv) Expend resources made available by the City Council to the school in addition to delegated funding on any other item except those specified by the City Council.

- c) The Governing Body shall be responsible for the financial implications arising from decisions on:
 - i) The overall management of the school;
 - ii) The development of the management plan;
 - iii) The determination of the use of delegated funding.
 - iv) Staffing levels; and
 - v) The appointment and dismissal of staff.

1.3 **Accounting**

- a) The Governing Body shall be responsible for the maintenance of all financial and accounting records within the school. These records shall be retained by the school for such periods as the Chief Finance Officer may determine.

The Governing Body shall ensure that accounting procedures and systems within the school are adequate and will enable the Head Teacher of the school to provide information required by the Chief Finance Officer.

The Governing Body shall have a duty to maintain standards of financial recording and control which are to the satisfaction of the Chief Finance Officer.

- b) The Head Teacher of the school shall provide the Chief Finance Officer with any information required for the purpose of maintaining and closing the financial accounts of the City Council. Such information shall be provided in accordance with the timetable determined by the Chief Finance Officer.
- c) The Governing Body shall, at least monthly, ensure that the financial and accounting records of the school are checked for accuracy and reconciled with the Chief Finance Officer's statutory accounts.
- d) The Head Teacher of the school shall, without delay, report any discrepancy in the financial and accounting records of the school to the Director of Education.

1.4 **Budget and Budgetary Controls**

- a) The Director of Education, in conjunction with the Chief Finance Officer, shall be responsible for determining the Individual School Budget for all schools in accordance with the School Standards and Framework Act 1998, or its successor, and any subsequent DfEE circular(s) in connection thereto.

- b) Each year, the Director of Education shall notify the Governing Body of delegated funding available to the school for the period 1 April to the following 31 March. This notification shall be issued before the commencement of the financial year and shall be in accordance with the Scheme of Delegation (Fair Funding Scheme).
- c) The Governing Body shall determine how delegated funding is to be spent and shall notify the Director of Education by 1 May of every year of its proposed detailed budget. The form of such notification shall be determined by the Director of Education in conjunction with the Chief Finance Officer. The Governing Body may subsequently vary the way in which it decides to spend delegated funding during the course of any financial year.
- d) The Governing Body may delegate the preparation and the management of the school's budget to a Board/Committee of the Governing Body. The responsibility for such Board/Committee shall remain with the Governing Body.
- e) The Governing Body shall be responsible for exercising budgetary control to ensure that the overall net expenditure of the school is not in excess of delegated funding at any time, without the agreement of the Director of Education. The Director of Education shall report to the Governing Body each financial year on spending, including sums committed but not yet paid, against the school's budget.
- f) Any underspending or overspending of delegated funding will be carried forward to the next financial year.

1.5 Income and Banking Arrangements

- a) The Director of Education, in conjunction with the Chief Finance Officer, shall make arrangements with regard to the administration of schools' official bank accounts.
- b) All schools' official bank accounts shall be operated in accordance with the current Fair Funding Scheme, which is issued annually.
- c) All cheques shall be signed by 2 approved signatories. The Head Teacher of the school concerned shall prepare and keep an up to date a register of names and signatures of authorised signatories, matched to the current bank mandates, which shall be made available to the Director of Education and the Chief Finance Officer upon demand.
- d) The Governing Body shall determine a charging policy for the supply of work, goods, materials or services by way of instruction and guidance notes issued by the Director of Education. Such charges shall be subject to annual review by the Governing Body.

- e) All income shall:
 - i) Be paid without delay and intact into the school's official bank account
 - ii) Be banked prior to school closure periods exceeding twenty-four hours;
 - iii) Be collected in advance of supply/service delivery wherever possible;
 - iv) Be acknowledged by official receipts and accounted for without delay, with all such receipts held securely to prevent misuse;
 - v) Be identified by means of an appropriate accountancy code;
 - vi) Not be used to defray expenditure;
 - vii) Not be used for the purpose of cashing personal cheques.
- f) Where income is collected after the service has been provided, an official invoice shall be issued and submitted, without delay, to the debtor.
- g) All income shall be held securely until banked and shall be acknowledged in writing when transferred from one person to another.
- h) All payments banked shall be by means of an official bank paying-in book, separately identifying cash and cheques, with all cheques listed.
- i) All school funds shall be operated in accordance with the current School Funds Handbook prepared by the Director of Education in conjunction with the Chief Finance Officer.

1.6 **Security of Assets**

- a) The Governing Body shall be responsible for maintaining proper security at all times for all land, buildings, vehicles, plant, machinery, furniture, fittings, equipment, documents, books, computer records, cash, stores, stocks and other property within the school. The Governing Body shall inform the Director of Education, without delay, where security is thought to be defective or where it is considered that special security arrangements may be needed.
- b) The Governing Body shall arrange for a physical check to be carried out of all the school's assets and inventory items, each financial year, in a form approved by the Chief Finance Officer. Any discrepancy shall be reported to the Director of Education who, with the Chief Finance Officer, shall immediately deal with any such discrepancy.

- c) All money held on school premises shall be secured in a safe (where provided), secure cabinet or cash box. Such safes, secure cabinets or cash boxes must be kept locked at all times with the keys removed. Keys to such safes, secure cabinets or cash boxes must, at all times, be carried on the person of the keyholder nominated by the Head Teacher of the school. The nominated keyholder must report any loss of such keys to the Head Teacher of the school immediately.
- d) The Head Teacher of the school shall ensure that there are relevant and effective backup procedures in place for all computer systems. All backup disks, tapes etc shall be securely retained in a fireproof safe or at a remote location.
- e) The Governing Body shall ensure that only members of staff authorised in writing by the Governing Body have access to computer hardware and software used for the overall management of the school. Passwords shall not be disclosed and shall be changed regularly.

1.7 Suspension of Financial Delegation

Under Schedule 15 of the School Standards and Framework Act 1998, or its successor, each LEA (Local Education Authority) has the power to suspend a Governing Body's right to decide how to spend its delegated budget in cases where the LEA judges that Governors:

- i) Have been guilty of a substantial or persistent failure to comply with any delegation requirement or restriction under the legislation or the LEA's approved scheme for the Local Management of Schools (LMS);
or
- ii) Are not managing the delegated budget in a satisfactory manner.

1.8 Declaration of Interests

A Governor, Head Teacher or any other member of staff within the school, who is in a position to influence a decision of the school, and with pecuniary interest in a personal capacity in any contract with the school, shall declare that interest in writing to the Governing Body or relevant Board/Committee of the Governing Body. The Governing Body or relevant Board/Committee of the Governing Body shall record such declaration in a register of pecuniary interests.

CONTRACT PROCEDURE RULES

CONTRACT PROCEDURE RULES

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1 **Compliance**

- 1.1 The purpose of these rules is to safeguard the interests of the City Council, its employees, or any person acting on behalf of the City Council.
- 1.2 These rules must be followed by every City Council employee and any person acting on behalf of the City Council every time there is a requirement of the City Council to procure work, goods, materials or services under a contract, except where a dispensation has been made in accordance with the City Council's Financial Regulation 4.3.1.
- 1.3 There is no longer a statutory requirement to expose work, goods, materials or services to competition before awarding it to a City Council Department. The City Council, however, is under a statutory obligation to secure Best Value.
- 1.4 Corporate Directors shall ensure compliance with the requirements of Government legislation for the time being in force, and where applicable the requirements of:
- the Housing Grants, Construction and Regeneration Act 1996; and
 - the Construction (Design and Management) Regulations 1994;
- and any re-enactment(s) thereof.
- 1.5 These Contract Procedure Rules shall be read in conjunction with the City Council's [Procurement Strategy](#) and [Procurement Toolkit](#).

2 **Best Value**

- 2.1 Best Value requires the City Council to make proper arrangements for securing continuous improvement in the economy, efficiency and effectiveness in the use of its resources and is 'the optimum combination of whole life costs and benefits to meet customer requirements'. More information relating to whole life costing is available at the Office of Government Commerce website, http://www.ogc.gov.uk/sdtoolkit/reference/ogc_library/achievingexcellence/index.html.
- 2.2 The [CIPFA Standing Guide to the Commissioning of Local Authority Work and Services](#) provides comprehensive guidance to the whole process of Best Value commissioning.
- 2.3 Corporate Directors shall make use of the CIPFA Standing Guide to the Commissioning of Local Authority Work and Services to procure work, goods, materials or services on behalf of the City Council.
- 2.4 Best Value requires the City Council to identify those quotations/tenders which will secure the best balance of price against quality over the whole life of the scheme.

- 2.5 The best and most widely accepted way of securing the necessary transparency to evaluate all the price and quality factors objectively is to adopt a robust points system which provides a pre-disclosed maximum number of points for price and for each factor in quality.
- 2.6 Corporate Directors shall adopt the [Quotation/Tender Evaluation Model](#) set out in the CIPFA Standing Guide to the Commissioning of Local Authority Work and Services to secure Best Value for the City Council where the value of a scheme is estimated to exceed £50,000 or other lower figure that Corporate Directors may decide.

3 **Partnering**

- 3.1 Corporate Directors shall adopt an integrated approach to procurement by actively considering whether the use of partnering is an appropriate form of service delivery for any of their services.
- 3.2 The overriding ethos of partnering is to provide a formal legally binding framework that allows each party to a project to form a partnering team to work together to deliver the project in line with the principles of Best Value.
- 3.3 The early integration of the partnering team and the procurement process can achieve substantial improvements in the procurement of projects.
- 3.4 Partnering requires the partners to deal fairly with each other and work together in a spirit of mutual trust, respect, good faith, co-operation and dedication to agreed common goals and an understanding of each others expectations and values.
- 3.5 Partnering is designed to facilitate collaborative working which can be achieved through either project partnering or strategic alliancing, which is the grouping of a number of projects in order to obtain the benefits of long-term relationships.
- 3.6 Corporate Directors shall ensure that the collaborative culture is fully embedded in all procedures, in place of the adversarial alternatives, where partnering has been adopted.
- 3.7 There are various contract options available to provide a contractual arrangement to suit a partnering environment. These contracts have been developed on the basis of clear guidance from the Construction Industry Council and embrace the recommendations of Sir John Egan and Sir Michael Latham.
- 3.8 Corporate Directors shall ensure that the contract option of each partnering contract be referred to the Director of Legal Services for consideration of the City Council's legal liability before such contract is entered into.

Note: More information on Partnering can be found at www.4ps.co.uk www.ogc.gov.uk and in the [CIPFA Standing Guide to the Commissioning of Local Authority Works and Services](#).

4 **Gateway Reviews**

- 4.1 Corporate Directors shall be responsible for ensuring that all capital schemes of £400,000 or more are submitted to the Project Appraisal Group (PAG) before any expenditure is committed, or incurred, as required by Financial Regulation 8.1.5.
- 4.2 Unless otherwise agreed by PAG in exceptional circumstances, all schemes of £1,000,000 or more and less than £5,000,000 shall be the subject of an internal peer Gateway Review whilst schemes of £5,000,000 or more shall be the subject of an external Gateway Review. The Gateway Review process shall be carried out in accordance with CFPRS 26.
- 4.3 The Gateway Review process examines a scheme at critical stages in its life cycle to provide assurance that it can progress to the next stage. It is a key enabler assumed in Sir Peter Gershon's efficiency review.
- 4.4 Gateway Reviews were developed by the Office of Government Commerce (OGC). In Local Government the Public, Private Partnership Programme (4Ps) offers a parallel service. 4Ps is the Local Government procurement expert.
- 4.5 Gateway Reviews are designed primarily to prevent cost over-runs and failures appearing in a scheme because of poor project planning.
- 4.6 A key element of the Gateway Review process is the use of independent and experienced reviewers to perform a top-down review of the scheme. In Local Government, it is common for most reviews to be peer reviews, conducted by suitably experienced professionals in different Departments or disciplines from those of the project team members.
- 4.7 Corporate Directors shall, in consultation with the Chief Risk Officer and the Chief Finance Officer, ensure that any risks, failures and actions identified by a Gateway Review are adequately and appropriately addressed and are formally reported to the Executive decision maker

Note: More information on the Gateway Process can be found at www.4ps.co.uk, www.ogc.gov.uk and in [the CIPFA Standing Guide to the Commission of Local Authority Work and Services](#).

5 **Selection of Suppliers**

5.1 Corporate Directors shall ensure compliance with the City Council's [Corporate Procurement Contracts](#) currently in force to procure work, goods, materials or services. These arrangements are established by the City Council's Corporate Procurement Manager.

5.1.1 Where a corporate procurement arrangement has not been established, Corporate Directors shall ensure that quotations and tenders be invited by one of the following approaches:

- EC Public Procurement – for any scheme whose estimated value is likely to exceed the relevant EC threshold figure;
- Select Lists; or
- Suitable Suppliers.

5.1.2 Corporate Directors shall have the discretion to select suppliers from the relevant select list and suppliers known to be suitable for any individual scheme.

5.2 **EC Public Procurement**

5.2.1 Corporate Directors shall ensure that all schemes comply with the requirements of the EC public procurement regime for the time being in force.

5.2.2 The letting of a scheme, or series of schemes, whose aggregate value exceeds the regularly updated relevant EC threshold figure must comply with the prevailing EC Directives in respect of technical specifications and procedures covering tendering, the selection of tenderers and awards.

5.2.3 Corporate Directors shall ensure that any scheme whose estimated value is likely to exceed the relevant EC threshold figure for the time being in force is referred to the City Council's Corporate Procurement Manager to ensure compliance with the relevant EC Directives.

5.2.4 Corporate Directors shall ensure that the appropriate advertisements are placed in the relevant EC journal in conjunction with the City Council's Corporate Procurement Manager. The City Council's Corporate Procurement Manager shall maintain a register of such advertisements so placed.

5.3 **Select Lists**

5.3.1 Corporate Directors shall ensure that quotations and tenders are invited from amongst a list of properly vetted suppliers.

5.3.2 Each select list shall:

- be compiled and maintained by Corporate Directors who shall ensure that financial checks are carried out at intervals not exceeding 12 months upon each supplier on the select list to ensure that its financial position has not deteriorated since the select list was compiled;
- contain an up to date record of suppliers who may be invited to provide quotations or submit tenders for the provision of work, goods, materials or services of specified categories, values or amounts;
- contain a minimum of 3 suppliers; and
- be fully reviewed at intervals not exceeding 3 years for financial stability, technical competence, managerial capability, previous performance and where applicable, Health and Safety.

5.3.3 Corporate Directors shall ensure that where suppliers are invited to provide quotations or submit tenders from the relevant select list be selected in accordance with the City Council's corporate rotational procedures.

5.3.4 Corporate Directors shall ensure that suppliers invited to provide quotations or submit tenders for construction and engineering related works be selected from the select list of suppliers for such works, administered by Corporate Services, Support Services, Marketing and Business Support, and approved by the Chief Finance Officer.

5.4 **Suitable Suppliers**

5.4.1 Corporate Directors shall have discretion to invite quotations and tenders from suppliers known to be suitable and eligible for inclusion onto the relevant select list(s).

5.4.2 Corporate Directors, however, are under a statutory obligation to secure Best Value.

5.5 **Corporate Procurement Arrangements**

5.5.1 The City Council's Corporate Procurement Manager shall ensure that each City Council corporate procurement arrangement be established in accordance with the provisions of these Contract Procedure Rules.

5.6 **Vetting of Suppliers**

5.6.1 Corporate Directors shall ensure that suppliers are vetted for financial stability, technical competence, managerial capability and previous performance before each scheme is let or before being included into the relevant select list(s), which ever is the earlier. Where applicable, Corporate Directors shall ensure that suppliers meet adequate and appropriate standards of Health and Safety.

- 5.6.2 Corporate Directors shall ensure that suppliers are subsequently vetted at intervals not exceeding 3 years, for technical competence, managerial capability, previous performance and, where applicable, Health and Safety, and for financial stability at intervals not exceeding 12 months.
- 5.6.3 Corporate Directors shall ensure that all positively vetted suppliers, with their approval, are brought into the relevant select list(s) at the earliest opportunity.
- 5.6.4 Corporate Directors shall ensure that suppliers of construction and engineering related works have adopted the City Council's 'Code of Practice for Employment and Training : Construction Sector 2002', or its successor, before each scheme is let.

5.7 **Purchasing Cards**

5.7.1 Corporate Directors shall:

- a) Maximise the use of the City Council's Purchasing Card Scheme as outlined in CFPRS 25, Credit Card, Purchasing Card and ATM [Card Usage Policy](#), as part of their procurement regime; and
- b) Ensure that purchasing cards are used;
 - i) In the procurement process for goods, materials and services where arrangements for their use has been made in conjunction with the City Council's Corporate Procurement Manager. These are listed in Appendix 6 of the [Card Usage Policy](#);
 - ii) In support of Procurement over the internet on secure sites and in accordance with the guidance provided in Appendix 7 of the [Card Usage Policy](#); and
 - iii) In other circumstances agreed with the Chief Finance Officer.

6 **Invitations to Suppliers**

- 6.1 Where the estimated value of a scheme over the whole life of the scheme is between £10,000 and £50,000 (between £5,000 and £50,000 for Schools), Corporate Directors shall ensure that at least 3 quotations be invited in writing, except where corporate contracts have been established by the City Council's Corporate Procurement Manager. Corporate Directors, however, may elect to seek tenders in lieu of quotations.
- 6.2 Where the estimated value of a scheme over the whole life of the scheme exceeds £50,000, Corporate Directors shall ensure that at least 3 tenders be invited in writing, except where corporate contracts have been established by the City Council's Corporate Procurement Manager.

6.3 Quotations/Tenders need not be sought:

- if the estimated value of a scheme over the whole life of the scheme is less than £10,000 (£5,000 for Schools); or
- in the event of an emergency (Financial Regulation 4.3.1.1).

Corporate Directors, however, shall ensure that the most suitable arrangement is secured for the City Council and the details are recorded in writing.

6.4 Corporate Directors shall ensure that any individual scheme is not artificially divided into two or more separate schemes with the intention of avoiding the application of these Contract Procedure Rules.

6.5 Corporate Directors shall ensure that each individual scheme be packaged to secure Best Value and provide Best Value for the City Council.

6.6 Corporate Directors shall ensure that suppliers invited to provide quotations or submit tenders are contacted and a record maintained of the requests made and their agreement to provide quotations or submit tenders.

7 **Tendering Procedures for Schemes over £50,000**

7.1 Corporate Directors shall ensure that a realistic tendering period be stipulated in the tender documents, with a minimum period of ten working days allowed for a response. This period may be reduced provided that the special circumstances are recorded.

7.2 Corporate Directors shall ensure that all suppliers invited to submit a tender confirm receipt of the tender documents.

7.3 Corporate Directors shall ensure that the tender documents incorporate adequate and appropriate anti-collusion provisions.

7.4 Corporate Directors shall ensure that tender documentation includes clear and robust evaluation criteria in accordance with CIPFA's [Quotation/Tender Evaluation Model](#).

7.5 Unless otherwise stipulated in the tender documents, all tenders must be delivered to the Director of Legal Services and in a plain envelope.

7.6 Corporate Directors shall ensure that the tender documents stipulate that all envelopes containing tenders shall be securely sealed and shall bear the word 'TENDER' followed by the name and/or reference of the scheme to which the tender relates. Also, such envelopes shall not bear any distinguishing mark intended to indicate the identity of the supplier.

- 7.7 Corporate Directors shall ensure that all envelopes containing tenders remain in the custody of the designated Officer concerned until the time appointed for their opening.
- 7.8 Corporate Directors shall ensure that the envelopes containing tenders for the same scheme be opened at the same time by the designated Officer concerned who shall do so in the presence of another Officer or Officers approved by the designated Officer concerned for that purpose.
- 7.9 Corporate Directors shall ensure that tenders received for whatever reason after the specified time or date or not delivered to the City Council in accordance with the tender instructions will not be considered under any circumstances.
- 7.10 Notwithstanding the provisions of paragraph 7 of these Contract Procedure Rules, tenders may be invited and received electronically provided that there is no conflict with the requirements of the EC public procurement regime in respect of procedures covering tendering.
- 7.10.1 Where tenders are to be invited and received electronically, Corporate Directors shall ensure that :
- there are adequate and appropriate safeguards and controls in force; and
 - prior approval to these safeguards and controls be obtained from the Director of Legal Services.

8 **Procedures for Negotiations**

8.1 Pre-Quotation and Pre-Tender Negotiation

- 8.1.1 Negotiation prior to inviting quotations or tenders with potential suppliers may be appropriate in special circumstances as part of the competition process and in order to secure Best Value for the City Council. The objective of such negotiation is to ensure that an effective invitation is prepared. All potential suppliers must be treated equally within this process.

8.2 Post Quotation and Post Tender Negotiation

- 8.2.1 Negotiation after receipt of quotations or tenders and before the letting of scheme(s) with those supplier(s) who have submitted such quotations or tenders may be appropriate in special circumstances as part of the competition process and in order to secure Best Value for the City Council. The objective of such negotiation is to obtain an improvement in content of these quotations or tenders in circumstances which do not put the other supplier(s) at a disadvantage, distort competition or affect adversely trust in the competition process.

8.3 Notification

- 8.3.1 Corporate Directors may authorise such pre- and post-negotiations within a specific scheme, provided that the special circumstances are recorded, including a record of the negotiations. Corporate Directors shall notify the Director of Legal Services of the circumstances, negotiations and actions taken, at the earliest opportunity.

9 **Acceptance of Quotations and Tenders**

- 9.1 Corporate Directors shall ensure that a record of the quotations received be prepared, signed, dated and timed, which record shall include the date and time each quotation is received.
- 9.2 Corporate Directors shall ensure that a record of the tenders received be prepared, signed, dated and timed and countersigned by another Officer or Officers present, which record shall include the date and time each tender is received.
- 9.3 Corporate Directors shall ensure that returned tenders are evaluated in accordance with CIPFA's [Quotation/Tender Evaluation Model](#).
- 9.4 Corporate Directors shall ensure that errors or discrepancies found in quotations or tenders be adequately and appropriately dealt with. Where such error or discrepancy can not be adequately and appropriately dealt with the matter shall be immediately referred to the Chief Finance Officer for a decision.
- 9.5 Corporate Directors shall ensure that suppliers be made aware that the City Council is not bound to accept the lowest or any quotation/tender for a specific scheme.
- 9.6 Corporate Directors shall ensure that the quotation/tender which secures Best Value for the City Council be accepted.
- 9.7 Corporate Directors shall ensure that a record is kept of the withdrawal of a quotation/tender by a supplier within a specific scheme together with the circumstances of such withdrawal.
- 9.7.1 Corporate Directors shall ensure that this information is reported to all Officers responsible for the selection of suppliers who may be invited to provide quotations or submit tenders for the provision of work, goods, materials or services.
- 9.8 Corporate Directors shall ensure that where the accepted quotation/tender is changed following the rectification of errors or discrepancies and/or post-quotation/tender negotiation, such amendment(s) be initialled by Corporate Directors or authorised signing Officer(s).

- 9.9 Corporate Directors shall ensure that suppliers whose quotation/tender for a specific scheme is not accepted be notified.
- 9.10 Each scheme shall be let on the authority of a Corporate Director.
- 9.11 Corporate Directors shall ensure that a quarterly report be forwarded to the Chief Finance Officer which sets out all schemes exceeding £50,000 let under the authority of such Corporate Directors in the preceding quarter. Any special circumstances (eg emergency and/or operational action) or items of an exceptional nature must be included in the report.
- 9.12 Corporate Directors shall ensure compliance with the relevant provisions of these Contract Procedure Rules where the accepted quotation/tender incorporates provisional, prime cost or non-defined items or other such similar items.

10 **Orders and Contracts**

- 10.1 All schemes must be evidenced by means of an official order or a formal contract. Corporate Directors shall ensure that official orders are raised through the City Council's main financial system and are issued to all suppliers for the provision of schemes, except where:
- 10.1.1 A formal contract is made; or
- 10.1.2 Procurement is undertaken through CPR 5.7, in accordance with CFPRS 25, Credit Card, Purchasing Card and ATM [Card Usage Policy](#).
- 10.1.3 None use of the main financial system has been agreed exceptionally by the Chief Finance Officer in accordance with Financial Regulation 4.2 (b).

NOTES

- A. The law prevents formal contracts being made between City Council Departments. However, any agreement between City Council Departments relating to a scheme must be evidenced by the issue of an official order.
- B. Contracts under seal are made to provide a 12 year period within which action can be taken for breach. Under simple contracts (contracts which are only signed), this period is reduced to 6 years. In the determination of which to choose, risk is a factor in addition to value.
- C. The Director of Legal Services, and Legal Services Managers, have authority to make contracts under seal. Simple contracts may only be made in accordance with paragraph 10 of these Contract Procedure Rules.
- D. The Chief Finance Officer may authorise specific exceptions to the requirement that all schemes be evidenced by means of an official order or formal contract. The Chief Finance Officer may only provide such authorisation after consultation with the Director of Legal Services.

- 10.2 Where an official order has been raised electronically, eg over the telephone or via email, etc, Corporate Directors shall ensure that an official confirmatory order be issued through the City Council's main financial system without undue delay. Such official confirmatory order shall be clearly marked "CONFIRMATION ONLY". (See Financial Regulation 10.1)
- 10.3 Corporate Directors shall ensure that an official order or a formal contract for any individual scheme is not artificially divided into two or more separate official orders or formal contracts with the intention of avoiding the application of these Contract Procedure Rules.
- 10.4 Where a scheme has a value of £500,000 or more:
- 10.4.1 The Director of Legal Services or a Legal Services Manager must make a formal contract under seal where the value of the scheme is £500,000 or more. The affixing of the seal to such contract must be witnessed by hand by the Director of Legal Services or a Legal Services Manager.
- 10.4.2 The Director of Legal Services (taking into consideration the risks involved in consultation with the Chief Risk Officer) may deem a formal contract under seal to be inappropriate in any particular case, even where the value of the scheme is £500,000 or more. In this case, the Corporate Director concerned shall ensure that an official order or a simple contract relating to the scheme is made. For the avoidance of doubt, such official order, as well as such simple contract, must be in printed format only and must be signed by hand by at least two signing Officers.
- 10.5 Where a scheme has a value of less than £500,000:
- 10.5.1 The Corporate Director concerned must issue an official order or make a simple contract where the value of the scheme is less than £500,000. Such official order or such simple contract must be signed by at least one signing Officer. For the avoidance of doubt, such simple contract must be in printed format only and must be signed by hand.
- 10.5.2 The Director of Legal Services (taking into consideration the risks involved in consultation with the Chief Risk Officer) may deem an official order or simple contract inappropriate in any particular case, even where the value of the scheme is less than £500,000. In this case, the Corporate Director concerned shall ensure that a formal contract under seal relating to the scheme is made in accordance with paragraph 10.4 of these Contract Procedure Rules.

10.6 Corporate Directors may authorise, in writing, other Officers to sign official orders or simple contracts or to authorise such orders or contracts electronically in a main financial system on their behalf at a value agreed with the Chief Finance Officer provided that the Corporate Director is satisfied that the standard of financial awareness and training as required under Financial Regulation 3, and Financial Regulation 3.2(d) specifically, has been complied with for that Officer. The standards required for financial training and accreditation are detailed in CFPRS 27.

Corporate Directors shall supply the names and signatures of signing Officers together with the corresponding signing/authorising limits to the Chief Finance Officer. Corporate Directors shall prepare and keep up-to-date a register of names and signatures of signing Officers together with the corresponding signing limits, which shall be made available to the Chief Finance Officer upon request.

10.7 Corporate Directors shall ensure that:

- i) no official order be issued or formal contract made for a scheme which will commit the City Council to expenditure unless provision exists to finance that expenditure, except in the event of an emergency;
- ii) no official order be issued or formal contract made for works, goods, materials or services for the private use of any person;
- iii) only official order forms in a format approved by the Chief Finance Officer be used;
- iv) each official order or formal contract indicates clearly the nature and quantity of the work, goods, materials or services and the agreed value or price, any trade or cash discount or allowance, together with any reference to a quotation, tender or other arrangement;
- v) each official order or formal contract complies with the provisions of the City Council's corporate procurement arrangements for the time being in force;
- vi) each official order or formal contract contains adequate and appropriate:
 - anti-fraud provisions;
 - anti-corruption provisions; and
 - price adjustment provisions;

- vii) where applicable, and with the advice of the Director of Legal Services, each official order or formal contract for schemes exceeding £10,000 in value contain provisions for:
- the cancellation of such official order or formal contract;
 - the making of retentions; and
 - the deduction of liquidated and ascertained damages in the event of the supplier's non-compliance by the due or any extended completion date for a scheme;

Where the City Council has a right to liquidated and ascertained damages, such right must be enforced by deductions from monies owing to the supplier.

Any deduction of liquidated and ascertained damages shall be made in accordance with a certificate or instruction issued by Corporate Directors or authorised issuing Officers.

- viii) the proposed terms of each bespoke official order and formal contract be referred to the Director of Legal Services for consideration of the City Council's legal liability before such official order or formal contract is entered into;
- ix) where the terms of any official order or a formal contract are changed, such amendment(s) be initialled by Corporate Directors or authorised signing Officers. In addition, the copy of an official order so changed and held by the issuing City Council Department, be amended accordingly; and
- x) as soon as possible after any official order has been made, a register be kept of such orders made.

10.8 The Director of Legal Services shall ensure that as soon as possible after any formal contract has been made, the Chief Finance Officer is notified and a register be kept of such contracts made.

10.9 An official order or formal contract relating to any scheme may be extended to include additional work relating to that scheme provided that in doing so, Best Value continues to be secured for the City Council and if at the time the additional work is intended to start all of the following criteria are satisfied:

- the additional work is of a similar description to that in the original scheme;
- the work in the original scheme was awarded not more than 12 months before;

- the original scheme has not been extended in the same way before;
 - provision exists to finance the expenditure for the additional work; and
 - Corporate Directors inform the Chief Finance Officer of the circumstance.
- 10.10 Each formal contract may incorporate a contingency allowance not exceeding 10% of the estimated cost of a scheme.
- 10.11 Corporate Directors shall ensure that variations to the scope of construction and engineering related works provided for by an official order or formal contract be authorised in accordance with the terms of such official order or formal contract, provided that provision exists to finance that expenditure, except in the event of an emergency. Such authorisation shall be given in writing and shall state the agreed price of each variation or the agreed basis on which the cost of such variation is to be calculated. In urgent cases, verbal authorisation(s) may be given, but this must be confirmed in writing within 7 days, or in accordance with the appropriate term(s) of the official order or formal contract.

11 **Supplier Performance**

- 11.1 Corporate Directors shall ensure that each official order or formal contract for work, goods, materials or services contain adequate and appropriate provisions for supervising and monitoring supplier performance including the quality and standard of such work, goods, materials or services.
- 11.2 Corporate Directors shall ensure that claims from suppliers of work, goods, materials or services in respect of matters not clearly within the appropriate terms of the official order or formal contract be referred to the Director of Legal Services for consideration of the City Council's legal liability as soon as they are notified to the City Council.
- 11.3 Corporate Directors shall ensure that where suppliers are required to provide guarantees then such guarantees are adequate and appropriate and underwritten by an insurance company or similar financial institution.

12 **Payments**

- 12.1 Corporate Directors shall ensure that payments to suppliers for work, goods, materials or services be certified and made in accordance with:
- the appropriate term(s) of the official order or formal contract; and
 - Corporate Financial Process Rule and Standard 13 'Certification and Payment of Accounts'.

13 **Performance Security and Bonding**

- 13.1 Corporate Directors shall ensure that security is obtained for the due performance of a contract for construction and engineering related works between the City Council and any external organisation where the value of such contract is estimated to exceed £10,000.
- 13.2 Corporate Directors shall determine, in conjunction with the City Council's Corporate Procurement Manager and the Director of Legal Services, whether security is to be obtained for the due performance of a contract for goods, materials or services between the City Council and any external organisation where the value of such contract is estimated to exceed the regularly updated relevant EC threshold figure or other lower figure that Corporate Directors may decide if the City Council is at particular risk.
- 13.3 The security for the due performance of a contract for construction and engineering related works and where applicable, security for the due performance of a contract for goods, materials or services, shall be obtained in accordance with the provisions of paragraphs 13.4 and 13.5 of these Contract Procedure Rules.
- 13.4 Contracts for construction and engineering related works estimated to exceed £10,000 in value but no more than £1,000,000 and where applicable, contracts for goods, materials or services estimated to exceed the regularly updated relevant EC threshold figure, or other lower figure that Corporate Directors may decide, but no more than £1,000,000, must be covered under the City Council's own bonding scheme. Corporate Directors shall ensure that:
- financial provision for a bond be made at quotation or tender stage; and
 - the City Council's Insurance and Risk Management Service be notified in writing prior to the commencement of such contracts that bonding cover is required.
- 13.5 Where contracts for construction and engineering related works and where applicable, contracts for goods, materials or services, are estimated to exceed £1,000,000 in value, each external organisation invited to submit a tender must be required to make its own security arrangements and allow for the cost of such provision in its tender. Corporate Directors shall ensure that:
- the need for such allowance be made clear in the tender documents;
 - such security arrangements are adequate and appropriate; and
 - such contracts must not commence until security arrangements have been put into effect to the satisfaction of the Director of Legal Services.

13.6 For the purpose of Contract Procedure Rule 13, the estimated value of the contract shall be the higher value of either:

- the value of any official order to be issued to or formal contract to be made with the external organisation;
- the value of a series of official orders to be issued to or formal contracts to be made with the same external organisation where such official orders or formal contracts relate to the same scheme; or
- the aggregate value of call-offs, draw-downs or other similar arrangements to be made against:
- any official order to be issued to or formal contract to be made with the external organisation; or
- a series of official orders to be issued to or formal contracts to be made with the same external organisation where such official orders or formal contracts relate to the same scheme.

14 **Insurances**

14.1 Corporate Directors shall ensure that there is adequate and appropriate insurance cover in force during the continuance of a scheme for both the City Council and its suppliers in conjunction with the City Council's Insurance Service.

15 **Consultants**

15.1 Where a supplier is providing consultancy services to the City Council (eg professional, technical, IT and managerial), Corporate Directors shall ensure that the relevant provisions of these Contract Procedure Rules are followed and included in the terms of such suppliers appointment.

15.2 Corporate Directors shall ensure that the provisions of CFPR 'Taxation' be followed in the employment of consultants.

15.3 Corporate Directors shall ensure compliance with the requirements of the [Audit Commission's Checklist](#) for commissioning and managing consultants the principles of which have been adopted by the City Council.

16 **Audit Examination**

- 16.1 Before the final payment is certified in respect of any scheme for construction and engineering related works, such scheme and all documentation associated therewith may be examined by the City Council's Internal Audit.
- 16.2 Corporate Directors shall ensure that a copy of the final payment certificate in respect of any scheme for construction and engineering related works is provided to the City Council's Internal Audit at the time it is issued.
- 16.3 The City Council's Internal Audit may, at any time, examine any scheme and all documentation associated therewith, for goods, materials or services.
- 16.4 Where applicable, Corporate Directors shall ensure that each supplier invited to provide a quotation or submit a tender for any scheme be notified at quotation or tender preparation stage that such scheme and all documentation associated therewith may be examined by the City Council's Internal Audit.

Summary of Main Changes

Reference	Brief Detail	Purpose
Regulations		
Throughout	Links to all Policies, Codes of Practice, etc highlighted in blue and underlined	To ensure that all relevant links that support Financial Regulations (FRs) are easily accessible.
Throughout	The Constitution- Executive Function- Financial Limits of Delegation.	The financial limits approved by the Constitution are incorporated throughout the FRs.
Definitions		To update Officer titles and specifically to define:-
Definition	Best Value	Best Value as a statutory obligation incorporating whole life costs and benefits to meet customer requirements.
Definition	Main Financial Systems	Main financial systems that require adequate and effective training to be provided to Officers before unsupervised access is allowed (FR 3.2(d)).
Regulation 1.3.	Corporate Financial Process Rules and Standards (CFPRSs) to be approved by the Chief Finance Officer (CFO)	To clarify the responsibility for approval of CFPRSs through delegation to CFO. See recommendation 2.2 of the report.
2	Financial Responsibilities	To clarify the roles and responsibilities for financial management.
2.2.3 (g)	Money Laundering Regulations 2003	CFO to act as Money Laundering Officer in compliance with new legislation.
2.2.3 (h)	Efficiency Savings	CFO to produce a robust plan in consultation with Corporate Directors (CDs) to achieve efficiency targets set by the Council and to facilitate their delivery.
2.2.6.	CFO's Departmental	To act on behalf of the CFO in

	Representatives	departments and to assist CDs by the provision of advice and in ensuring compliance with FRs and CFPRSs.
2.3. (a)	Financial Impact: Advising the CFO or his/her Departmental Representative	To ensure that the primary responsibility of CDs is to ensure that the CFO is made aware of any potential or actual commitments that may affect the revenue budget or capital programme. This requirement is repeated throughout the FRs for reinforcement.
2.3. (iv)	Assurance Statement	To provide the requirement for assurance statements from CDs on the status, functionality and compliance with FRs and CFPRSs in their Department.
3	Financial Awareness and Training Requirements	To identify responsibilities for financial awareness and financial training provision.
3.1(d)	To set standards of training	CFO to establish standards of training in the use of main financial systems.
3.2 (d)	Financial Training prior to committing to spend or accessing main financial systems	CDs to ensure that adequate and effective financial training has been undertaken before new Officer appointees are allowed to commit the Council to spend or to use systems unsupervised.
4.2 (b)	Use of the main financial systems	To ensure the full use of the main financial systems as defined, except in circumstances agreed with the CFO.
4.3.	Dispensations from Financial Regulations	To ensure that dispensations from FRs are available and that decisions to dispense with them are public.
4.4	Joint Reporting	To ensure that all financial decisions above the thresholds shown in the FRs are joint reports involving the CFO.
4.4.1 (b)	Joint Reports requiring a detailed	To ensure that joint reports

	risk assessment	above the thresholds shown in FRs include a detailed risk assessment. (See also FR 10.1.4).
4.4.2	Briefing Papers and other reports requiring a financial decision.	To ensure that financial observations are included as a minimum in briefing papers and other reports.
4.4.3	CFO authority to withdraw any report or request for a decision	To ensure that the CFO has authority to withdraw any report or request for a financial decision under circumstances identified in CFPRS 3.
5	Process Owners	To ensure that the responsibilities for establishing controls, process rules, standards and targets for each financial system are identified and that Key Financial Controls are agreed with the CFO as part of their Section 151 reporting infrastructure.
5.3 (c)	Review and benchmarking of Processes	To ensure that each financial system is constantly reviewed by the Process Owner in terms of Best Value and that the CFO is advised about potential developments.
7.2	Efficiency Savings	To ensure that the efficiency savings plan is considered by CDs, in consultation with CFO, prior to allocating released resources or unbudgeted income.
7.4	Virement Rules	To be included in detail in the CFPRS 4 which will identify authorisation limits and identify circumstances under which virement can be suspended.
7.5.2 (f)	Monitoring the outcomes of proposals that affect revenue spend previously agreed by Members	To ensure that variances in excess of 10% are reported back to Members. (Similar requirement at 8.9.2 (b) for capital).

7.6.3	Revenue underspends	Whether underspends should be carried forward and earmarked for future departmental use, subject to joint recommendation to Exec Board.
8	Capital Spending and Receipts	Capital FRs have been re-written to introduce 'Gateway' reviews and improve clarity.
8.1.2 to 8.1.4	Capital: Approval Process and Quality Assurance	Establishes thresholds and defines when a 'Gateway' review should be internal or external. Establishes the role of the Project Appraisal Group (PAG.)
8.5	Authorising commencement of a capital scheme	Complies with the financial delegations approved by the Constitution.
8.9.2	Overspending on Capital Schemes	To ensure that cost overruns of greater than 10% are reported to the Executive Board (Similar requirement at 7.5.2 (f) for revenue).
9	External Relationships and Accountable Body status	Re-written to ensure that the role of the Section 151 officer is clarified and that the relationship with external entities is defined as is the need to address Best Value.
10	Management of Corporate Risk arrangements	Defines the role and responsibilities of the Chief Risk Officer (CRO).
10.1.4	Detailed Risk Assessments	Required as part of all joint reports with an impact of £500,000 in a full year on the revenue budget or £1,000,000 or more on the capital programme. The requirements of the risk assessment will be defined in CFPRS 5.
13	Internal Audit (IA) and Control Measures	Re-written to incorporate the need to consult with Process Owners and the CFO on key controls annually and to appraise the accuracy of the reports issued to the Section

151 officer in support of the reporting infrastructure.

Financial Regulations relating to Locally Managed Schools

New Section of FR, otherwise unchanged.

Contract Procedure Rules (CPR)

CPRs throughout	Whole Life costs of the scheme	Incorporated to ensure that the whole life costs of a scheme are considered.
CPR 3	Partnering	To incorporate Partnering contracts into FRs.
CPR 4	Gateway Reviews	To incorporate Gateway reviews into FRs.
CPR 5.3.2/5.6.2	Vetting of Suppliers	To ensure that appropriate vetting of suppliers on supplier lists is maintained.
CPR 5.7	Purchasing Cards	To maximise the use of Purchasing Cards corporately

Financial Limits

Revenue Spend

CDs	Unlimited in an Emergency (FR 4.3.1.1)
All other situations:	
Up to £10k	A requirement to demonstrate Best Value (CPR 6.3)
Between £10k and £50k	At least 3 quotations be invited (CPR 6.2)
Over £50k	3 tenders be invited (CPR 6.1)
Up to £154k	European Journal- none works unless exempted (CPR 5.2)
Up to £200k	*CDs (Constitution)
Over £200k up to £499,999	*Service PFH (Constitution)
£500k and over	Executive Board (Constitution)

Subject to:

- *Spend being contained within existing Resource Allocation
- Contract Procedure Rules are followed
- Joint Report- CD/CFO to Service PFH- £200k or more in full year
- Joint Report- CD/CFO and detailed risk assessment to Executive Board- £500k or more in full year.

Capital Programme Approval (None Programme Submission and/or Bidding Regimes)

*£400,000 or more	Submission to Project Appraisal Group (PAG) for their consideration of level of review required (FR 8.1.3)
Up to £999,999	Service and Finance Portfolio Holders (FR 8.3.2 (ii))
£1m and over	Executive Board (FR 8.3.2 (i))
£3.8m	European journal- works, unless exempted (CPR 5.2)

Subject to:

- *PAG considering a 'Gateway Review ' for schemes of £400,000 or more
- Joint Report CD/CFO to Service and Finance PFH- £400k or more
- Joint Report CD/CFO and detailed risk assessment to Executive Board- £1m or more

Authority to spend capital

CDs Unlimited in an Emergency (FR 8.6.1)

All other situations:

CDs *Up to £400k (Constitution)

Service Portfolio Holder *Up to £999,999 (Constitution)

Executive Board Unlimited (Constitution)

Subject to:

- *The scheme being within a capital programme and there being an uncommitted budget available
- The requirements of CPR 6.1; 6.2 and 6.3 (As Revenue)

Virement Authorisation Limits (CFPRS 4)

	£
Budget Holder	25k
Services Director	100k
CDs	200k
Relevant PFH	499,999
Executive Board	Unlimited