

Annex One

July 2018

**LONDON COUNCILS<sup>1</sup>**

**SCHEDULE 7**

**FINANCIAL REGULATIONS**

**Key points/message**

**All Corporate and Programme Directors shall ensure that the Financial Regulations are strictly observed within their Directorates and Divisions and shall arrange for all necessary staff training.**

**Any employee who knowingly or by negligence breaches these regulations may be subject to disciplinary action.**

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<sup>1</sup> The term *London Councils* throughout this document refers only to Leaders' Committee,

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## **1 Definitions**

- 1.1 The Chief Executive means the officer appointed pursuant to Clause 7.4 of the London Councils Agreement or, wherever appropriate, his nominated representative.
- 1.2 The Finance Officer<sup>2</sup> means the officer appointed pursuant to Clause 7.4 who shall be the "Responsible Financial Officer" as defined by Regulation 2(2) of the Accounts and Audit Regulations 1996.
- 1.3 The Organisation means London Councils, any Sectoral joint committees and any associated committees.

## **2 General**

- 2.1 These financial regulations are designed to detail the responsibilities, procedures and working practices adopted under this Agreement and provide essential information in relation to day to day financial administration.
- 2.2 The Chief Executive and the Finance Officer have a responsibility to establish within the Organisation strong internal control procedures so that activities are conducted in an efficient, effective and well-ordered manner. Such procedures should facilitate the detection and prevention of fraud and/or corruption at an early stage (refer Anti Fraud, Bribery and Corruption Strategy - appendix 11).
- 2.3 The Finance Officer shall maintain a register in which officers shall enter each gift, favour, reward or hospitality offered by a person or organisation doing, or seeking to do business with the Organisation (refer Hospitality Declaration- appendix 9).
- 2.4 It is the responsibility of the Chief Executive to ensure that all staff are made aware of these regulations and to make suitable arrangements to ensure adherence. This does not remove the requirement for all staff to make themselves conversant with these regulations and comply with their requirements.
- 2.5 The Organisation shall not consider:-
  - 2.5.1 a new policy, including the management of all externally funded projects, nor
  - 2.5.2 a development or variation of existing policy, nor
  - 2.5.3 a variation in the means or time-scale of implementing existing policy which affects or may affect the Committee's finances, unless there is before it at the same time a full statement of the financial implications by the Finance Officer.
- 2.6 The Chief Executive shall consult the Finance Officer with respect to any matter within his/her purview, which is liable materially to affect the finances of the Organisation before any commitment is incurred or before reporting thereon to any Committee.
- 2.7 Failure to observe these Financial Regulations may, at the discretion of the

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<sup>2</sup> The title Finance Officer refers to the Director of Corporate Resources throughout this document and appendices

Finance Officer, be reported to the Audit Committee.

- 2.8 In relation to externally funded projects:
- 2.8.1 all requests for government or other grant support must be agreed with the Director of Corporate Resources in advance of any submission to the funding body;
  - 2.8.2 if the estimated lifetime value a grant is equal or greater than £250,000 this must be the subject of a separate detailed report to London Councils Leaders' Committee or any Sectoral joint or associated committee as appropriate.
- 2.9 The Director of Corporate Resources in consultation with the Chief Executive will be responsible for submission of all claims for grant to Government Departments and other outside bodies. All agreements for the receipt of grant by a Committee shall:-
- 2.9.1 be obtained in writing;
  - 2.9.2 state the amount and conditions relating to the receipt of grant;
  - 2.9.3 be referred to the Director of Corporate Resources for his observations on financial implications prior to signing; and
  - 2.9.4 be reviewed for any legal implications, seeking legal advice as necessary.
- 2.10 The Finance Officer, in consultation with the Chief Executive, has the right to withdraw any Committee report where insufficient notice has been given to allow the provision of adequate financial comment.
- 2.11 The Finance Officer shall be consulted in any cases involving the interpretation of the Financial Regulations and his/her decision as to their meaning, scope and application shall be final providing such decision does not have the effect of altering the meaning of a Standing Order or other regulation or contract approved by a Committee.
- 2.12 The Finance Officer shall annually review the financial threshold figures stated in the Financial Regulations, making any necessary adjustments and then notify the Chief Executive accordingly. However, any proposed increases exceeding the appropriate rate of inflation shall first be referred to London Councils and the relevant Sectoral joint or Associated committee for their approval.
- 2.13 The Finance Officer shall review these Financial Regulations at least every two years in consultation with the Chief Executive and report to London Councils] and the relevant Sectoral joint or Associated committee recommending those changes he/she considers necessary.
- 2.14 A Lead Authority, in its capacity as administrator of an activity delegated by London Councils or a Sectoral joint or Associated committee, shall be deemed to have complied with these Financial Regulations so long as it is in compliance with the applicable Financial Regulations and Standing Orders of that Lead Authority.
- 2.15 Any of these financial regulations may be revoked, varied or suspended in

respect of all or any of the functions referred to in this Agreement by London Councils in accordance with Schedule 6.

### **3 Budgets**

- 3.1 The Finance Officer shall prepare the estimates of revenue income and expenditure in consultation with the Chief Executive, who shall critically scrutinise the draft estimates before their submission to London Councils and any Sectoral joint or Associated committee.
- 3.2 The estimates shall show the latest approved estimates for the current year and the estimated expenditure and income for the ensuing three years. The Finance Officer and Chief Executive shall provide sufficient supporting information as required by London Councils, and any Sectoral joint or Associated committee in order for variations between budget headings to be analysed. The detailed form of the annual budget shall be determined by the Finance Officer and Chief Executive consistent with general directions of London Councils and any Sectoral joint or Associated committee.
- 3.3 The Finance Officer shall make appropriate detailed calculations for each budget head. A working paper showing the basis of each calculation shall be kept for six years or until the final accounts for the year in question have been approved by the external auditor.
- 3.4 Estimates of income and expenditure made in respect of the London Boroughs Grants Scheme (LBGS), shall be prepared in accordance with the timetable contained in the LBGS Regulations as amended by Schedule 4 as follows:
  - 3.4.1 The LBGS draft budget shall be submitted to London Councils and the London Boroughs Grant Committee not later than the end of November each year.
  - 3.4.2 London Councils shall approve the draft budget and the London Boroughs Grants Committee shall recommend to the applicable Constituent Councils an overall level of expenditure on an annual basis and this shall include the amounts to be collected from each Constituent Council as determined by the Regulations.
  - 3.4.3 At least two-thirds of the Constituent Councils must approve the recommended overall level of expenditure each year by not later than the third Friday in January as provided for in the Scheme Regulations.
  - 3.4.4 If at least two thirds of the Constituent Councils have not approved the recommended overall level of expenditure before the 1st February in the year in which that financial year begins, the Constituent Councils shall all be deemed to have given their approval for that financial year to total expenditure of an amount equal to the amount that was approved or as the case may be, deemed to have been approved, for the preceding financial year. Such approval shall be subject to any order which may be made by the Secretary of State under Section 48 (5) of the Local Government Act 1985 and will confer authority on the London Boroughs Grants Committee to incur such expenditure.

- 3.9 If it appears that an overspending is unavoidable, even after making use of the virement provisions, then the approval of London Councils and the relevant Sectoral joint or Associated committee must be sought before application of any supplementary estimate. Any proposal affecting the funds of London Councils or any Sectoral joint or Associated committee shall be submitted to such committee accompanied by a report of the Chief Executive who shall consult the Finance Officer as necessary, indicating the sufficiency or otherwise of the estimate provision.
- 3.10 The conclusion of the Concessionary Fares contract shall be reported to the Transport and Environment Committee no later than the 31st of December each year.

#### **4 Virements**

- 4.1 Virement, or the temporary transfer of resources between budget heads, is allowed where any expenditure budget head will be overspent or income budget head will not be attained, by the end of the financial year, by offsetting the overspending or shortfall of income in respect of any function by the transfer from other budget heads for the same function which would have sufficient provision during the same financial year. Such virement is defined below.
- 4.1.1 The Finance Officer, in consultation with the Chief Executive, is authorised to approve virements up to a maximum of £50,000 in any one instance, provided the total virement to any one budget head in any one financial year does not exceed £50,000 or, either 50% of the receiving budget or, £1,000 if the receiving budget is less than £2,000. This applies to all budget heads.
- 4.1.2 For all such virements, these shall be reported to London Councils, or any Sectoral joint committee or any Associated committee as appropriate, retrospectively on a quarterly basis.
- 4.1.3 All virements over £50,000 must be approved by London Councils, or any Sectoral joint committee or any Associated committee, as appropriate.

#### **5 Accounting and Document Retention**

- 5.1 All accounts, financial records, including computerised records, and financial administration procedures shall be kept or undertaken in a form approved by the Finance Officer who shall also be responsible for keeping the principal accounting records. It is the responsibility of the Chief Executive to retain securely, and in an easily retrievable form, all other information relating to the Organisation's financial and operational activity in support of the accounting and final account process.
- 5.2 In the allocation of accounting duties, the following principles shall be observed:-
- 5.2.1 The duties of providing information regarding sums due to or from London Councils and of calculating, checking and recording these sums, shall be separated as completely as possible from the duty of collecting or disbursing them;

- 5.2.2 Officers charged with the duty of examining and checking the accounts of cash transactions shall not themselves be engaged in any such transactions.
- 5.3 The Chief Executive shall make returns of outstanding expenditure, income and any other relevant information in the form and by the date specified by the Finance Officer for the reporting process detailed in Financial Regulation 9.6 and the closure of the annual accounts.
- 5.4 All computerised financial systems should be capable of producing relevant accounting analysis capable of transfer in a format, level of detail and manner approved by the Finance Officer. The information transfer should include specific types of transaction such as write offs. The Chief Executive shall consult with the Finance Officer before introducing, amending or discontinuing any record or procedure relating to financial transactions or accounting.
- 5.5 All accounting records shall be retained in safe custody for such a period as shall be determined by the Finance Officer and all vouchers must be kept for a period of six years in line with HMRC guidance after the specified accounting period has elapsed. The ultimate disposal of financial records should be arranged by the Chief Executive as “confidential waste” and on no account should sensitive information be disposed of through the normal waste collection process. All such confidential waste disposal arrangements shall be subject to the prior approval of the Finance Officer.
- 5.6 The Finance Officer in consultation with the Chief Executive shall be responsible for the production and publication of the organisation’s final accounts in such a form and in accordance with such a timetable as to make them consistent with any relevant statute and the general directions of London Councils and any Sectoral joint or associated committee.
- 5.7 As soon as practicable after the end of each financial year and before the 30 June, the Finance Officer in consultation with the Chief Executive shall report provisional out-turn figures for income and expenditure to London Councils and any Sectoral joint or Associated committee, comparing these to the approved estimates. The Finance Officer shall present the Statement of Accounts for the year in question to London Council’s External Auditors as early as possible following the presentation of the provisional outturn figures to London Councils Executive.
- 5.8 The Finance Officer shall retain, in safe custody, copies of audited Statements of Accounts including the External Auditor’s opinion and annual report. The Finance Officer shall present the audited Statement of Accounts to London Councils Audit Committee for approval by 30 September. All significant issues raised by the External Auditor’s annual report on the accounts together with any accompanying management letter must be reported to London Councils Audit Committee, including the issues that relate solely to the accounts of any Sectoral joint committee.

## **6 Imprest Accounts**

- 6.1 The Finance Officer shall provide such imprest accounts as he/she considers appropriate after consultation with the Chief Executive.
- 6.2 The Finance Officer may arrange for bank accounts to be opened for use by holders of imprest accounts. Such bank accounts shall not be overdrawn, and it shall be a standing instruction to the bank concerned that any departure from this regulation is reported immediately to the Finance Officer.
- 6.3 The Chief Executive shall be responsible for the control and operation of the imprest account in accordance with instructions issued by the Finance Officer.
- 6.4 No sums received on behalf of London Councils may be paid into an imprest account, but shall be banked separately or paid to London Councils promptly as may be directed by the Finance Officer.
- 6.5 Payments from imprest accounts shall be limited to minor items, unobtainable through Creditors or Stores and ineligible for reimbursement through Payroll, the maximum value of which shall be £50 (inclusive of VAT), unless specific dispensation has been provided to the Chief Executive by the Finance Officer. All payments shall be supported by vouchers and all receipts where appropriate, relating to expenditure from an imprest must be attached to the relevant voucher.
- 6.6 To satisfy the requirements of external auditors, imprest holders shall provide the Finance Officer with certificates annually to certify the balance held. These certificates must be sent to Finance Officer promptly after the end of the appropriate financial year. (Blank certificates will be provided to the imprest holders for this purpose by the Finance Officer before the end of each financial year).
- 6.7 Claims for the reimbursement of imprest accounts should be made at regular monthly intervals, following a full reconciliation of the account and, in any event, frequently enough for the relevant bank account to remain in credit until the reimbursement is received. Imprest reimbursement forms are to be provided by the Finance Officer.
- 6.8 It shall be the duty of the Chief Executive to notify the Finance Officer sufficiently in advance of the impending resignation or departure of the imprest account holder. When an imprest account holder leaves the service of London Councils, he or she shall account to the Finance Officer for the amount advanced.
- 6.9 The general principle of imprest accounting is that at any time the cash balance, together with the aggregate value of any receipts on hand, unreimbursed claims and cheques not credited, should total the approved imprest account balance. At no stage should the cash balance be allowed to fall below zero. Income and change floats shall be kept separately from the imprest cash at all times, and shall not be used to fund cash expenditure.
- 6.10 If it becomes apparent that the current level of imprest is insufficient, the items on which the imprest is expended shall be reviewed. If it is clear that there is no

reasonable alternative to expenditure through the imprest, a formal request in writing to have it increased shall be made to the Finance Officer. Similarly, if it becomes apparent that exceptional circumstances mean a temporary increase/decrease is required then a formal request is to be submitted to the Finance Officer. Further, sub-floats must not be issued from an imprest without the prior approval of the Finance Officer.

- 6.11 No officer shall authorise his or her own claims from an imprest account. Claims are to be authorised by the Chief Executive. Certification by or on behalf of the Chief Executive shall be taken to mean that the certifying officer is satisfied that the expenses and allowances claimed are properly and necessarily incurred and are properly payable.
- 6.12 Expenditure which should form part of the payroll system, e.g. clothing, car allowances and home to work travel expenses, shall not be processed through imprest accounts.
- 6.13 All non-computerised records relating to imprest accounts should be maintained in ink.
- 6.14 The encashment of personal cheques and the advancing of loans from an imprest is strictly forbidden.
- 6.15 The only bank charges, which should be incurred in respect of imprest accounts operated via a bank account, are those in the normal course of operation of the account. As can be seen from Financial Regulation 6.2, bank charges in respect of overdrawn accounts should not be incurred. If they have been incurred, however, they should be debited to an appropriate expenditure code and reclaimed on the imprest reimbursement form.
- 6.16 All Departments holding petty cash should ensure that, at all times, cash is adequately secured. As a minimum this should be in a cash box within a lockable drawer. Amounts in excess of £50 should be kept overnight in a safe or lockable cupboard with very restricted access.
- 6.17 Whenever any matter arises which involves or may suggest irregularities affecting a petty cash imprest system, the Chief Executive shall notify the Finance Officer forthwith. This Regulation also applies in the event of any loss from the imprest account, identified during reconciliation.

## **7 Banking Arrangements**

- 7.1 The Finance Officer will make arrangements with London Councils bankers for the operation of such accounts as he/she may consider necessary. No other bank accounts will be opened without the permission of the Finance Officer.
- 7.2 All bank accounts shall bear an official title and in no circumstances shall an account be opened in the name of an individual.
- 7.3 The Finance Officer will make appropriate arrangements with London Councils bankers concerning designated signatories of cheques, drafts, promissory notes, acceptances, negotiable instruments, orders and instructions.

- 7.4 The Finance Officer shall be responsible for arranging the temporary investment of monies not immediately required, and the ordering and issue of cheques/giro-cheques, direct debit and credit card facilities.
- 7.5 The Finance Officer will ensure that a register is maintained to record all stocks of cheques held by London Councils.
- 7.6 Stocks of cheques will be held by the Finance Officer in a safe covered by adequate insurance arrangements.
- 7.7 The Finance Officer is responsible for arranging the cancellation and subsequent replacement of specific cheques with London Councils's bankers. All requests in relation to cancellations must be channeled through the Finance Officer.
- 7.8 Corporate and Programme Directors should ensure that all bank accounts under the control of their Directorate or Division are reconciled on a monthly basis and that end of the year accounts closure requirements are adhered to.
- 7.9 The Finance Officer shall arrange such safeguards as necessary and practicable, including the separation of staff duties as far as possible in respect of:-
  - 7.9.1 the checking of creditors accounts;
  - 7.9.2 the control of cheque forms;
  - 7.9.3 the preparation of cheques;
  - 7.9.4 the signature of cheques;
  - 7.9.5 the despatch of cheques;
  - 7.9.6 the entry of the cash accounts; and
  - 7.9.7 the reconciliation of bank accounts.

## **8 Contracts & Procurement**

- 8.1 All contracts and procurement that exceed the current EU threshold<sup>3</sup> are regulated by EU Procurement Directives, and UK domestic legislation as defined in the Public Contracts Regulations (PCR) 2015. In addition, each and every contract shall also comply with these Financial Regulations. The EU regulations and UK law take precedence over the Financial Regulations and no deviations or exceptions are permitted for contracts in excess of the threshold. Also, contracts with a full life value between £25,000 and the EU threshold are governed under Part 4 of the PCR 2015.<sup>4</sup>
- 8.2 Contracts may be defined as being agreements for the supply of goods or materials, or the carrying out of works or services. Contracts are also deemed to include the engagement of professional consultants (excluding Counsel).
- 8.3 It is a breach of the Financial Regulations to artificially divide contracts where the effect is to circumvent the regulations concerning the following financial threshold limits.
- 8.4 Financial Thresholds

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<sup>3</sup> The current Threshold for public supply and service contracts is €221,000 / £181,302, as of January 2018. This is reviewed every two years.

<sup>4</sup> Chapter 8 Below Threshold Procurements The obligation to advertise on Contracts Finder – Regulation 110(1), **only applies where the authority has decided to advertise.**

8.4.1 The following minimum number of invitations to tender or quote shall apply, subject to EU procurement rules (including aggregation i.e. the full life value of the contract) and the exemptions, before any order for works, supplies or services is placed:

Procurement Threshold	Procedure
(a) up to £10,000	No formal tender process required. At least one written quotation obtained, duty to secure reasonable value for money
<b>Where a decision has been made <u>NOT</u> to advertise</b>	
(b) between £10,001 and £75,000 <i>if not advertised</i>	Request at least 3 written quotations or a mini-tender exercise must be carried out to establish value for money
<b>Where a decision has been made to advertise</b>	
(c) between £25,001 and EU limit (currently £181,302 ) (€221,000) <i>if advertised (NB: you MUST advertise above £75,001</i>	If the Opportunity is advertised, the use of the formal tender process is mandatory by tendering the opportunity on Contracts Finder and London Councils website.
(d) over EU limit (currently £181,302 ((€221,000))	The use of the formal EU tender process is mandatory and subject to the EU procurement rules. To note that additionally if the value of procurement is in excess of £250,000 then Committee approval is required prior to formal tender process.

8.5 Each proposed contract for works or services, with an estimated value equal or greater than £250,000 must be the subject of a separate detailed report to London Councils Leaders' Committee or any Sectoral joint or associated committee as appropriate, requesting approval to seek tenders for the recommended design solution. This report must state the size of any contingency provision to be included in the tender documents or estimated costs, as well as any prevalent risks to the organisation.

8.6 No contract shall be made, nor any tender invited, unless provision has been made in the annual budget for the proposed expenditure or that written confirmation has been received from the appropriate third party that external funding is available to fund the full contract and associated costs.

#### 8.7 Formal Tender Process

8.7.1 Competitive tendering will be required where the **opportunity is advertised** and the estimated value of the contract is expected to exceed £25,000 which is split into two categories

8.7.2 Below Threshold (£25,000 to less than the EU limit £181,302)

8.7.2.1 It is now a requirement that for any contracts estimated to be between £25,000 and the EU limit in force at the time (currently £181,302), if the contracting authority advertises it must do so via Contracts Finder.

### 8.7.3 Above EU Threshold (£181,302) where full EU processes apply

8.7.3.1 For above threshold tendering, the choice of procedure is detailed and regulated in the PCR (Chapter 2 Rules on Public Contracts), noting that when awarding public contracts, contracting authorities shall apply procedures that conform to the regulations.

8.7.4 Detailed guidance on procurement procedures is provided in the Procurement Toolkit (Appendix 6), reflecting the PCR and any specific guidance as the Minister for the Cabinet Office may issue.

## 8.8 Contract Advertising

8.8.1 Contracts above the EU financial thresholds prevailing at the time as set out in the Regulations should be advertised in the Official Journal of the European Union (OJEU) and London Councils website.

8.8.2 For below EU threshold procurement i.e. between £25,000 and the EU Limit where a decision has been made to advertise the opportunity, the opportunity must be placed on Contracts Finder and London Councils website with no exceptions. (Ref PCR 2015, Chapter 8 paragraph 110)

8.8.3 8.8.4 After the expiration of the period specified in any notice, invitations to tender for the contract shall conform with Section 5 sub section 7 of the PCR, (paragraphs 65 and 66 refer).

## 8.9 Receipt of Tenders

8.9.1 Every invitation to tender shall state that no hard copy tender will be accepted unless it is received in a plain sealed envelope or package which shall bear the words TENDER - followed by the subject to which the tender relates, and shall not bear any name or mark indicating the sender. Every invitation to tender should also state the deadline date and time (usually 12 noon) for receipt. When received, an entry shall be made upon such envelopes or packages indicating the time and date of receipt and these will then remain in the custody of the Chief Executive or the Director of Corporate Resources until the time appointed for their opening.

8.9.2 Electronic versions of the tender submission will be accepted. Electronic tenders must be received by the deadline date and time, as detailed in the invitation to tender. Electronic tender submissions sent by e-mail should be sent to: tenders@londoncouncils.gov.uk. E-mailed tenders will not be accepted in isolation, if there is a requirement for hard copies.

8.9.3 All tenders received after the deadline date and time shall not be opened and will be disregarded for the purposes of the tender exercise to which they relate.

## 8.10 Opening of Tenders

Tenders shall be opened at one time in the presence of:-

8.10.1 For tenders valued at over £25,000 – in the presence of two officers

appointed by the Chief Executive;

## 8.11 **Acceptance of Tenders and Quotations**

8.11.1 Where the value is under £10,000, one of the designated authorised signatories (as outlined in Part C of Appendix 5) , shall be authorised to accept the quotation by signing off the purchase order to place the order with the supplier;

8.11.2 Where the value is between £10,001 and £75,000, one of the designated authorised signatories (as outlined in Part B of Appendix 5) shall be authorised to evaluate and accept the quotation or tender by signing off the procurement approval form for submission to the Director of Corporate Resources for approval;

8.11.3 Where the value is between the £75,000 and the prevailing EU Limit, ,one of the designated authorised signatories (as outlined in Part A of Appendix 5) shall be authorised to evaluate and accept the tender by signing the procurement approval form for submission to the Director of Corporate Resources for approval;

8.11.4 Where the tender is above the EU Threshold and below £249,999, the Chief Executive, the Director of Corporate Resources, or in their absence, one of the designated authorised signatories (as outlined in Part A of Appendix 5) in consultation with the Chair(man), Deputy-Chair(man) and one other Member of the appropriate committee shall be authorised to evaluate and accept the tender;

8.11.5 For tenders of £250,000 and over London Councils Leaders' Committee or any Sectoral joint or associated committee as appropriate shall be authorised to evaluate and accept the tender;

8.11.6 A tender which exceeds the approved estimate shall be referred to the appropriate committee for consideration. Where the tender can be amended to fall within the approved budget by a minor adjustment to the approved works, goods or services and otherwise complies with these regulations, the Chief Executive , the Director of Corporate Resources, or in their absence, one of the designated authorised signatories (as outlined in Part A of Appendix 5) in consultation with the Chair(man), Deputy-Chair(man) and one other Member of the appropriate committee shall be authorised to approve the adjustment as provided for in 8.11.4 above.

## 8.12 **Contract Provisions and Payments**

8.12.1 Every contract in writing (unless such contract is let by a Lead Authority in accordance with Schedule 8), shall be signed by the Chief Executive or the Director of Corporate Resources, or in their absence, one of the designated authorised signatories (as outlined in Part A of Appendix 5).

8.12.2 Every contract in writing shall specify:-

8.12.2.1 the work, materials, matters, or things to be furnished, or done;

- 8.12.2.2 the price to be paid, with a statement of discounts or other deductions;
- 8.12.2.3 the payment process, including the process for resolving disputes;
- 8.12.2.4 the time or time within which the contract is to be performed;
- 8.12.2.5 insurance, employers liability and professional indemnity;
- 8.12.2.6 the place or places for delivery of performance.

### 8.13 **Contracts where tenders are not required.**

8.13.1 Contracts or orders which exceed £10,000 and not exceeding £75,000 in value, **if not advertised**, require at least 3 written quotations from suitable suppliers before the contract order is placed

8.13.2 Quotations may be submitted by post, or e-mail.

8.13.3 If the full life value of a contract is below the £75,000 **and not advertised**, it shall not be obligatory to invite formal tenders, nor give public notice of the intention to enter into a contract where:-

- 8.13.3.1 effective competition is prevented by Government control, or
- 8.13.3.2 the special nature of the work to be executed limits the number of contractors capable of undertaking the work to less than 3, or
- 8.13.3.3 the goods, services or materials to be purchased are only available from less than 3 suppliers, or
- 8.13.3.4 the work is a continuation of a previous contract or order, or
- 8.13.3.5 a corporately tendered and managed or framework contract has been established for all officers of the organisation to use:  
e.g. supplies of Stationery, Computers, Office Furniture etc.,  
or
- 8.13.3.6 goods or services are of a proprietary manufacture, including sole distribution or fixed price, or the services to be provided are of a proprietary nature , or
- 8.13.3.7 any repairs or works to be executed or parts, goods or
- Materials to be supplied in connection with existing machinery, vehicles plant or equipment are of a proprietary nature and involve sole distribution or fixed price, or
- 8.13.3.8 urgent supplies necessary for the protection of life or property.

8.13.4 The Chief Executive shall maintain a record of those contracts let without competitive quotations as detailed in 8.13.3, detailing the reasons why these have not been obtained.

8.13.5 The EU regulations and PCR do not provide for any exemptions from the tendering process for contracts which exceed the EU threshold.

#### **8.14 Withdrawal of Tender**

8.14.1 In the event of any person withdrawing a tender, or not signing the contract after his/her tender has been accepted, or if the Chief Executive or the Committee are satisfied that a Contractor has not carried out a contract in a satisfactory manner, or for any other justified reason, then tenders will not be accepted from such contractors in future, except after specific Committee approval.

#### **8.15 Communications with Tenderers**

8.15.1 Accounting records for all contracts must be maintained as agreed by the Director of Corporate Resources.

8.15.2 No members of the relevant Committee shall have or allow any interview or communications with any person or representative of any person proposing to tender or contract, except by the authority of that Committee. Where such interview or communication does, nevertheless, take place then it is to be reported to the relevant Committee at the first available opportunity.

#### **8.16 Contract Variations**

8.16.1 Subject to the provisions of the contract, every variation shall be instructed in writing and signed by the designated officer prior to the commencement of work on the variation concerned or as soon as possible thereafter. Designated officers may authorise variations which are essential for the completion of a contract, and minor variations of an optional nature, provided the cost remains within the approved estimate. Major variations to contracts shall require the approval of the appropriate committee.

#### **8.17 Contract Payments**

8.17.1 All ex gratia and non-contractual claims from contractors shall be referred to the Director of Corporate Resources and also to the Chief Executive for comments before settlement is reached.

8.17.2 Where contracts valued in excess of £25,000 provide for payments to be made by instalments, all payments to contractors shall be made on a certificate issued and signed by London Councils designated officer. Contracts subject to payment via certificate will primarily relate to construction / building works, which will be for internal / external decorations of London Councils Leased premises.<sup>5</sup> Those contracts not subject to the issue of certificates, may be paid on invoices and/or any means allowed by the Director of Corporate Resources.

8.17.3 The Director of Corporate Resources shall, to the extent he/she

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<sup>5</sup> Any contractors certificates issued, including claims for additional costs and the final account would be assessed by a Project Manager / Quantity Surveyor engaged for their expertise in managing building / construction contracts and then reported to the designated officer.

considers necessary, examine the final accounts or interim valuations for contracts and he/she shall be entitled to make all such enquiries and receive such information and explanations as he/she may require in order to be satisfied as to the accuracy of the accounts.

8.17.4 The final certificate for the payment of any contract, where the final cost exceeds £25,000, shall not be issued until the Supervising Officer under the contract has produced to the Director of Corporate Resources a detailed statement of account with all relevant documents.<sup>6</sup> Such papers shall be lodged with the Director of Corporate Resources two months prior to the due date of the final certificate or in exceptional circumstances a previously agreed period in order to allow a thorough review of their contents prior to the issue of the final certificate. In addition, all consultants' fee accounts that in total exceed £30,000 in value shall be forwarded to the Director of Corporate Resources for verification prior to the respective final payments being processed. A clause to this effect shall be inserted in the appropriate contract, bills of quantities, or specification.

8.17.5 Wherever works or services are let on a day works contract then every payment costing in excess of £100 shall be supported by day work sheets. Such day works sheets shall contain adequate descriptions of the work carried out and the names of the operatives involved, together with details of the times during which the work was performed, the hourly rates applied and any plant or materials used. Day work sheets shall be signed by the designated officer indicating that the amount claimed reasonably reflects the labour and materials content of the works executed.

## 8.18 **Lead Borough Arrangements**

8.18.1 Any contract let by a Lead Authority, in its capacity as administrator of an activity delegated by London Councils or any Sectoral joint or associated committee as appropriate, shall be deemed to comply with these Financial Regulations so long as it is in compliance with the Financial Regulations and Standing Orders of that Lead Authority.

## 8.19 **Corrupt Practices**

8.19.1 Every written contract shall include the following clauses:

The Service Provider must comply at all times with the provisions of the Bribery Act 2010, in particular Section 7 thereof in relation to the conduct of its employees, or persons associated with it.

The Service Provider warrants that, at all times, it has in place adequate procedures designed to prevent acts of bribery from being committed by its employees or persons associated with it, and must provide to London Councils at its request, within a reasonable time, proof of the existence and implementation of those procedures.

London Councils will be entitled by notice to the Service Provider to terminate the Service Provider's engagement under this or any other

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<sup>6</sup> See footnote 3 above

contract with the Service Provider if, in relation to this or any other such contract, the Service Provider or any person employed by it or acting on its behalf has committed an offence in relation to the Bribery Act 2010.

## **8.20 Claims from Contractors**

8.20.1 Claims from contractors in respect of matters not clearly within the terms of any existing contract shall be referred by the Chief Executive to London Councils Legal Adviser for consideration of the Organisation's legal liability and, where necessary, to the Director of Corporate Resources for financial consideration before a settlement is reached. No payment will be made to a contractor without the specific approval of London Councils.

## **8.21 Bonds and Other Security**

8.21.1 Every contract that exceeds £150,000 in value or amount and is for the execution of works or for the supply of goods or materials otherwise than at one time, shall require the contractor to provide sufficient security for the due performance thereof, except where the appropriate service related Director and Director of Corporate Resources consider this to be unnecessary.

## **8.22 Use of Consultants**

8.22.1 Consultants shall be engaged only where it is not feasible or cost effective to carry out the work in-house either by using existing staff or by employing new short term or permanent staff.

## **9 Budgetary Control**

9.1 Approval of a revenue expenditure budget by London Councils and the relevant Sectoral joint or associated committee shall confer the authority on the Chief Executive to incur expenditure, except in the case of any item which the relevant committee wishes to have referred to it for further consideration.

9.2 No expenditure may be incurred unless a budget for that purpose has been approved.

9.3 Where the Chief Executive proposes to incur expenditure for which there is no budget head in the annual budget :-

9.3.1 But the expenditure is unlikely to exceed £50,000 by the end of the financial year, the Chief Executive in consultation with the Finance Officer may make arrangements to incur the costs, which must be financed by the virement arrangements under paragraphs 4.1.1 and 4.1.2, and

9.3.2 If the expenditure is likely to exceed £50,000 by the end of the financial year the Chief Executive shall seek approval from London Councils or the relevant Sectoral joint or associated committee, depending on which approved the expenditure. The financing of this expenditure must be determined in accordance with Financial Regulation 4.1.3.

- 9.4 The Chief Executive may only pay or make provision for payment in respect of goods received or services rendered within each financial year and for which budget provision has been made.
- 9.5 Where London Councils or the relevant Sectoral joint or associated committee has authorised a fund for a particular purpose, under or overspent balances may be carried forward to the following financial year on a one-off basis. All other balances in hand at the end of the financial year shall be reported to the Committee by the Finance Officer. London Councils or the Sectoral Joint Committee shall then determine the use of those balances.
- 9.6 In the light of actual expenditure on administrative costs during the financial year the Finance Officer in consultation with the Chief Executive shall present to London Councils or the relevant Sectoral joint or associated committee, reports showing projected out-turn figures for each budget heading approved by that Committee. This reporting process is to take place between each quarter after the start of that financial year.
- 9.7 During the financial year the Chief Executive in consultation with the Finance Officer, shall present to each meeting of the Grants Committee, reports showing current levels of grant expenditure committed to date.
- 9.8 It is the duty of the Chief Executive to ensure that the budgets under his/her direct control are not overspent.
- 9.9 The Finance Officer shall ensure that there is a financial information system which provides periodic statements of receipts and payments under each head of approved budget and other relevant information, facilitating the reporting of such information to Committee.
- 9.10 Overall annual expenditure of the Grants Committee must be within the level approved by one of the following:-
- 9.10.1 At least two-thirds of the applicable Constituent Councils under Section 48(3) of the Local Government Act 1985; OR
- 9.10.2 Deemed by the Secretary of State further to Section 48 (4a) of the Local Government Act 1985; OR
- 9.10.3 Any order made by the Secretary of State under Section 48(5) of the Local Government Act 1985.

## **10 Audit**

- 10.1 Responsibility for maintaining an adequate and effective system of internal audit rests with London Councils and any Sectoral joint or associated committee, but has been delegated to the Finance Officer who makes arrangements for the examination of all financial and related systems under this Agreement. All significant issues raised by the Finance Officer following this examination, must be reported to London Councils or the relevant Sectoral joint or associated committee. Similarly the External Auditor's annual report on the accounts together with any accompanying management letter must also be reported to London Councils Audit Committee, as per financial regulation 5.8.

- 10.2 The Finance Officer shall, so far as he/she considers reasonable, arrange for the internal audit of the organisation's activities:-
- 10.2.1 To review the soundness, adequacy and application of internal controls and, where necessary, make recommendations for the improvement of systems, controls and procedures that affect the finance or assets of the organisation;
  - 10.2.2 To assist in protecting the assets and interests of the organisation by carrying out a continuous examination of activities in order to detect or prevent fraud, misappropriation, irregular expenditure and losses due to waste, extravagance, inefficient administration and improper practices;
  - 10.2.3 To review resources used in pursuit of the organisation's agreed activities and, where necessary, make recommendations for the improvement of value for money; To review, appraise and report upon the reliability of financial and management data;
  - 10.2.4 To report to the Chief Executive on the result of any audit carried out within their unit and to make the necessary recommendations which need to be implemented to eradicate the identified weakness or weaknesses.
- 10.3 The Finance Officer, or any accredited representative shall have authority on production of identification to :-
- 10.3.1 Enter at all reasonable times on any of the organisation's premises or land;
  - 10.3.2 Have access to all records, documents and correspondence relating to any financial and other transactions of the organisation;
  - 10.3.3 Require and receive such explanations as are necessary concerning any matter under examination; Require any persons holding or controlling cash, stores or any other property to produce such items;
  - 10.3.4 Verify cash and bank balances for which persons are accountable to the organisation.
- 10.4 Immediately an irregularity, or suspicion of an irregularity, arises affecting money or property or any other transaction or aspect of the organisation's business, the Chief Executive concerned shall immediately advise the Finance Officer. The Finance Officer shall investigate and report to the Chief Executive if he/she forms the view that disciplinary or criminal proceedings should be considered. If it is thought appropriate to involve the Police, the Finance Officer will first consult with the Chief Executive. Officers should not notify the police direct except in an emergency in order to prevent further loss, or where it is necessary for the police to examine an area before it is disturbed by staff or members of the public. Except in exceptionally clear cut cases, management should not attempt to interview staff suspected of perpetrating an irregularity as this may prejudice any subsequent police investigation or legal proceedings. Any individual officer with knowledge or suspicion of any losses or irregularities involving staff, cash, assets or other financial matters has the right to approach the Finance Officer directly should circumstances dictate that this is necessary. Detailed information

on London Councils Anti Fraud, Bribery and Corruption policy can be found at appendix 11.

- 10.5 The Chief Executive shall be required to provide a written response to draft audit reports, final audit reports, and management letters within 28 calendar days of their issue. Extensions to this timescale shall be at the discretion of the Finance Officer.
- 10.6 Unless the Finance Officer specifically agrees otherwise, all receipt forms, order books, tickets and other similar items shall be ordered and retained by the Finance Officer prior to their issue to the Chief Executive. Such controlled stationery items shall be supplied, on request only, to those officers who have been authorised to receive them by the Chief Executive. Every issue of any such document shall be acknowledged by the signature of the officer to whom the issue is made. The Chief Executive shall satisfy the Finance Officer as to the safe keeping and control of such documents.

## **11 Information Systems**

- 11.1 The development of Information Technology Systems should conform to the overall strategy as set out and agreed by London Councils.
- 11.2 The Chief Executive shall be responsible for ensuring compliance with any Computer Security Guidelines promulgated by the Finance Officer.
- 11.3 Any development of new systems that involve a financial operation or produce output that may influence the allocation of resources must involve consultation with the Finance Officer regarding mutually acceptable minimum standards of control. The Chief Executive, in consultation with the Finance Officer shall be responsible for the control of the computer systems in the Organisation, and the security and privacy of data contained therein, in accordance with data protection legislation such as the General Data Protection Regulation (Regulation (EU) 2016/679) (GDPR) and the Data Protection Act 2018. The Chief Executive shall also be responsible for ensuring appropriate controls in accessing those systems which they maintain.
- 11.4 The Chief Executive in consultation with the Finance Officer shall make sound arrangements to ensure the security and continuity of service in the event of a disaster.

## **12 Income**

- 12.1 The systems effecting the collection of all money due to the organisation shall be approved by the Finance Officer. The collection of all money due to the organisation is under the overall supervision of the Finance Officer.
- 12.2 Revenues consisting of income arising from work done, goods supplied or services rendered and not paid for at the time, must be the subject of accounts being rendered and the Chief Executive must facilitate the prompt issue and rendering of such accounts applicable to their unit. The Chief Executive shall therefore furnish the Finance Officer with details of projects,

seminars, rents recoverable, work done, goods supplied, or services rendered and of all other amounts as may be required by him/her to record correctly all sums due to the organisation and to ensure the prompt rendering of accounts due for income.

- 12.3 The Chief Executive shall promptly notify the Finance Officer of all money due to the organisation and of contracts, leases and other agreements and arrangements entered into which involve the receipt of money by London Councils. The Finance Officer has the right to inspect any document or other evidence in this connection as he/she may decide is relevant.
- 12.4 The records kept by the Organisation with regard to items of income shall be in such form as may be agreed from time to time by the Finance Officer. Unless the Finance Officer specifically agrees otherwise, all receipt forms, tickets and other similar items shall be obtained in accordance with financial regulation 10.6. All new types of income due are to be notified to the Finance Officer.
- 12.5 The Finance Officer shall prescribe the accounting arrangements necessary to ensure that all monies due and received are banked promptly.
- 12.6 All debtors shall be invoiced within seven days of full details of the debt being ascertained.
- 12.7 Procedures for accepting cheques or credit card payments tendered in respect of the sale of goods, materials or services shall be agreed by the Finance Officer.
- 12.8 Every sum in cash received by an officer of the Organisation shall be immediately acknowledged by the issue of an official receipt, ticket or voucher except in cases where other arrangements have been approved by the Finance Officer.
- 12.9 All income, whether cheques, notes or coins received by an officer on behalf of the Organisation shall, without delay, be recorded and paid intact either directly to the Finance Officer, or into a designated bank account at regular intervals as directed by him, thereby ensuring the safe keeping of income. Every officer who banks money shall enter on the paying-in slip a reference to the related debt (such as the receipt number or the name of the debtor) or otherwise indicate the origin of the cheque; on the reverse of each cheque the officer shall enter the name of his or her unit.
- 12.10 Money held on behalf of the Organisation shall be kept separately from personal funds and shall not be used to cash personal cheques.
- 12.11 Every transfer of official money from one member of staff to another will be evidenced in the records of the unit concerned by the signature of the receiving officer.
- 12.12 The Finance Officer shall make safe and efficient arrangements for the recording of income received by direct debiting of debtors accounts.
- 12.13 Scales of charges for services, with any variations, shall be reviewed at regular intervals, together with any new charges, by the Finance Officer after

consultation with the Chief Executive, prior to submission to London Councils or the relevant Sectoral joint or associated committee for approval.

### **13 Disposal of Assets**

- 13.1 Sales of surplus equipment, plant and stores will be at market value.
- 13.2 The Chief Executive has authority to approve the disposal of all goods or equipment under his control which by reason of damage, wear or obsolescence, are no longer required, and the book value, or estimated value, does not exceed £5,000. The disposal of such goods or equipment valued above £5,000 but not exceeding £10,000 shall require the prior written approval of the Finance Officer. Disposal of such goods or equipment valued above £10,000 shall require the prior approval of London Councils or the relevant Sectoral joint or associated committee.
- 13.3 Before disposal of any leased asset, the Chief Executive shall notify the Finance Officer in writing so that the terms of the lease may be examined and advice provided.
- 13.4 Salvageable items shall be sold in the best available market subject to the following:-
  - 13.4.1 No single item with a book value, or estimated value, exceeding £500 shall be disposed of without quotations first being invited (unless disposed of by public auction, if appropriate).
  - 13.4.2 No item will be disposed of to a member of staff without the direct approval in writing of the Finance Officer. Where approval is given, detailed documentation of the transaction shall be retained by the applicable Corporate Director.
- 13.5 Under the 1989 Local Government and Housing Act, capital receipts are defined as the income from the disposal of any interest in an asset if, at the time of disposal, expenditure on the acquisition of an asset would be expenditure for capital purposes. Where the anticipated capital receipt is £10,000 or less, then the arrangements for disposal shall be subject to the agreement of the Chief Executive, where a value exceeds £10,000 then the arrangements for such disposal shall be subject to the prior agreement of the Finance Officer.
- 13.6 The Chief Executive will be responsible for maintaining all records and documentation relating to any disposal.
- 13.7 All proceeds from the disposal of assets will be subject to the addition of Value Added Tax, except in respect of the disposal of property or certain transfers involving statutory undertakings. In respect of these exemptions advice should be sought from the Finance Officer before the conclusion of a transaction.
- 13.8 The Chief Executive will notify the Finance Officer of the disposal of any items which are specifically listed on the organisation's Insurance Policy.

## **14 Control of Assets**

- 14.1 The Chief Executive is responsible for ensuring arrangements are in place to physically control all of the Organisation's assets for which her/his department has management responsibilities.
- 14.2 The Local Government and Housing Act 1989 requires adherence to the Accounting Codes of Practice approved by the Accounting Standards Board. One such Code of Practice concerns the subject of capital accounting and suggests the creation and maintenance of registers for all assets. The asset registers form the basis by which the Organisation meets the capital accounting requirements in the raising of capital charges for the use of assets such as buildings, land and vehicles.
- 14.3 The asset registers are required to itemise all assets which cost in excess of £1,000 while recording the date and cost of their acquisition.
- 14.4 The Chief Executive shall allocate responsibility for the maintenance of individual registers as appropriate.
- 14.5 The Chief Executive shall ensure that any information requested by the above registrars, for the purposes of maintaining the asset registers, is provided rapidly and freely. Any acquisitions or disposals of assets should be notified to the relevant registrar at the appropriate time.
- 14.6 The Chief Executive shall nominate one officer to be responsible for the safe custody of all deeds and lease agreements in respect of all properties owned or leased by the Organisation. This responsible officer shall :-
- 14.6.1 Make arrangements for such documents to be inspected when required; and
  - 14.6.2 Provide copies of any relevant documents on request.
- 14.7 Inventories of all furniture, fittings, equipment, plant, and machinery shall be maintained by the Chief Executive. Items that are being rented or leased on a long term basis, or such that the responsibilities of stewardship lie with the Organisation, should also be included in the inventory. Generally, items with a life-span longer than one year should be included, unless they are already recorded on a formal stock record system
- 14.8 The inventory should be in the form of a permanent document. It is important to ensure that the inventory is complete and that all parts of it are kept together. The inventory can be in any media. A suggested format of an inventory is provided at appendix 3.
- 14.9 The inventory should provide the following information for each item:
- 14.9.1 Location, but if the item is moved between locations, note the general area. (A separate record of location may well be necessary);
  - 14.9.2 Full description;

- 14.9.3 Serial and Code numbers, if relevant;
  - 14.9.4 Date of purchase and cost of acquisition;
  - 14.9.5 Estimated current replacement value (for insurance purposes), which should be reviewed annually; and
  - 14.9.6 Date of disposal and the proceeds.
- 14.10 The total of all the estimated current replacement values should be shown, so that the information is readily available for insurance purposes.
- 14.11 Where practical, the inventory should be updated each time there is an acquisition or disposal. This will produce a more accurate record than if all the amendments are done at the end of the year.
- 14.12 The Chief Executive is responsible for ensuring that an annual check is carried out, in March, of all items on the inventory and for taking action in relation to surpluses and deficiencies. The date of the check and the name(s) of the officer(s) carrying it out should be recorded. When carrying out this check, the current inventory should be used as a starting point. The procedure should be that each location is checked in a methodical manner.
- 14.13 If any discrepancies are found when checking the inventory, these should be followed up until reasons have been found. If it is not possible to find reasons and the amount involved is significant (e.g. more than £100 in value), the Finance Officer should be informed. If the result of these findings is that an item has to be removed from the inventory, then the appropriate authorisation for such write-off should be sought in accordance with Financial Regulation 15.1.
- 14.14 It is important that at least one copy of the inventory is held separately from the assets that it lists, so that if a disaster occurs to the Organisation or its buildings, then all information is protected for insurance purposes, in the event that items need replacement. For inventories that are kept on computer disk, back up copies should be kept in a fire proof cabinet in a separate location to the computer.
- 14.15 For the purposes of capital accounting, the Finance Officer may require all registrars and inventory holders to provide asset registers and inventories reflecting assets held as at the 31st March of each year.

## **15 Write Offs**

- 15.1 No debt, asset, or benefit due to London Councils, including Liquidated Damages, shall be written off without first obtaining the approval of the Finance Officer. The Chief Executive shall submit a list of such items to be written off, together with details of the reasons. The writing off of any such item valued in excess of £1,000 must also be subject to the prior approval of London Councils or the relevant Sectoral joint or associated committee. Any report seeking such approval must detail the actions taken to recover these debts, assets or benefits.
- 15.2 The Chief Executive shall maintain a file for each debt to be written-off, containing relevant documentation to support the validity of the write-off. The file should also identify whether appropriate actions have been taken to recover or mitigate the loss.

## **16 Orders for Work, Goods and Services**

- 16.1 No officer shall commit the organisation to expenditure in excess of any approved estimate without first seeking the appropriate approval. This Financial Regulation may be waived in cases of emergencies where delays in obtaining approval for excess expenditure would cause loss to London Councils or endanger public health and safety. In such cases the approval for such expenditure must be sought as soon as possible after the event concerned.
- 16.2 Official or purchase orders, including those within a computerised ordering system, shall be in a form approved by the Finance Officer and are only to be authorised by the Chief Executive or his/her nominee. These authorised officers shall then be responsible for the issue of official orders. The names of the authorised officers shall be sent to the Finance Officer together with specimen signatures. Changes shall be notified to the Finance Officer as they occur. Additional guidance on the completion of purchase orders can be found at appendix 10.
- 16.3 In cases where goods, materials, works or services are required urgently and where delay would cause either loss to the organisation or endanger public health or safety then the requisite orders may be placed verbally. However, such verbal orders must be followed by an official written order within two working days and marked "Confirmation Order".
- 16.4 Official orders shall be issued for all work, goods or services to be supplied to the organisation except for public utility services, petty cash purchases or other exceptions approved by the Finance Officer and copies, or full details, of each order shall be retained in the unit where issue has taken place.
- 16.5 No order should be issued unpriced. In those circumstances where a definite price cannot be ascertained at the time of issue, then the order concerned must either be endorsed "price not to exceed" and a value given, or its copy endorsed with an estimated figure.
- 16.6 When an order is amended or varied, a note of the amendment or variation shall be made on the copy order, together with a reference to the authority for such amendment or variation which shall be confirmed in writing to the supplier.
- 16.7 Care shall be taken in the signing of goods received notes, where parcels etc. are unable to be inspected. In such cases the signature should be accompanied by the comment "not inspected" to safeguard the organisation against unseen breakages or shortages at the time of delivery.
- 16.8 The return of all goods to suppliers shall be authorised by the Chief Executive or his or her authorised representative. In each instance officers are only to release such goods when they are certain that the return has been properly authorised, satisfied that the collection company has been previously notified to them, and that they are in receipt of appropriate return note documentation.

## **17 Payments**

- 17.1 Apart from petty cash and other payments from the imprest account (see Financial Regulation 6) and payments by corporate charge cards (see Financial Regulation 26), the normal method of payment shall be by cheque or other instrument drawn on the bank account operated for the Organisation by the Finance Officer.
- 17.2 The Finance Officer has authority to pay all amounts to which the Organisation is legally committed, after authorisation by the Chief Executive or nominated officer.
- 17.3 The Chief Executive having issued an order is responsible for examining, verifying and authorising the related invoice. It shall be the duty of the Chief Executive to ensure that all goods, materials and services received are as ordered in respect of price, quantity and quality.
- 17.4 Before certifying an account, the authorising officer shall, save to the extent that the Finance Officer may otherwise determine, be satisfied that:-
  - 17.4.1 The works, goods or services to which the account relates have been received, examined, approved, are fit for purpose and, where appropriate, comply with pre-determined standards. This includes all grant payments for commissioned services;
  - 17.4.2 The expenditure is within an approved estimate, or is covered by special financial provision authorised by London Councils or the relevant committee;
  - 17.4.3 The proper entries have been made in the asset registers, inventories, or store records where appropriate;
  - 17.4.4 The price charged is correct and any trade discounts receivable have been deducted;
  - 17.4.5 The invoice or payment certificate is arithmetically correct both in the extensions and the total and that the allowances, credits and tax are correct;
  - 17.4.6 Any copy orders are duly endorsed as paid and brief details of the payment are marked thereon;
  - 17.4.7 The invoice or payment certificate has not previously been passed for payment and is a proper liability of the Organisation;
  - 17.4.8 The appropriate expenditure code numbers are entered on the document for payment and that no payment is made on duplicate or photocopy invoices unless the Chief Executive certifies in writing that the amounts have not been previously passed for payment;
  - 17.4.9 In the case of charges for utilities including gas, electricity and water, any standing charges are correct, and that consumption is charged on the most advantageous tariff and is otherwise reasonable;
  - 17.4.10 In the case of grants payments for commissioned services, reference must be made to the monthly status reports received by the

appropriate Directorate management team which considers the progress of each commission against a 'red', 'amber' or 'green' marking in measuring:

- Contract performance (delivery against target outcomes);
- Quality (provider self-assessment and client satisfaction); and
- Contract compliance (timeliness and accuracy of claims and reporting responsiveness and the proactive management of risk); and

17.4.11 Where the analysis of the data highlighted in clause 17.4.10 above results in a specific report being made against a commission to the effect that the commission is considered to be a risk, no further payments should be made to the commission until the appropriate Directorate management team considers further evidence to satisfy itself that the commission no longer represents a risk.

17.5 Any amendment required of a VAT invoice shall be effected through the application of a credit note from the applicable Creditor. Any amendment to a non VAT invoice shall be made in permanent ink and initialed by the officer making it, stating briefly the reasons where they are not self-evident.

17.6 The Finance Officer and the Chief Executive shall, between them, arrange a suitable division of staff duties within the Organisation so that the officer who authorises the invoice as correct shall not be the person who either placed the order, or has certified the receipt of the goods or completion of the work concerned.

17.7 An invoice for goods supplied to the Organisation shall not be prepared by an officer of London Councils, but by the creditor. In certain circumstances invoices for services rendered to London Councils may be prepared, but always in a form approved by the Finance Officer, and the officer preparing the invoice must not authorise it for payment.

17.8 As soon as possible after the 31st March, all outstanding expenditure relating to the previous financial year shall be identified by the Finance Officer.

## **18 Salaries, Wages and Pensions**

18.1 The payment of all salaries, wages, pensions, compensation and other emoluments to all employees and pensioners of the Organisation shall be made by the Finance Officer or under arrangements approved by him.

18.2 The Chief Executive or his authorised representatives, shall notify the Finance Officer as soon as possible, and in the prescribed form, of all matters affecting the payment of such emoluments, and in particular;-

18.2.1 Appointments, resignations, dismissals, suspensions, secondments, transfers and deaths, and for pensions, changes in marital status and deaths;

18.2.2 Absences from duty for sickness or other reason, apart from approved leave;

- 18.2.3 Changes in remuneration, and pay awards and agreements of general application;
- 18.2.4 Information necessary to maintain records of service for superannuation, national insurance, income tax, etc.
- 18.3 All pay documents and time records shall be in a form approved by the Finance Officer and shall either be certified in manuscript by or on behalf of the Chief Executive, or in such form as the Finance Officer may direct. The names of the officers authorised to sign such records shall be sent to the Finance Officer together with specimen signatures. Changes shall be notified to the Finance Officer as they occur.
- 18.4 All payments to individuals who are considered to be self employed, in respect of services provided to the Organisation, shall be processed through the Payroll System unless the status of the individual has been confirmed as self employed in accordance with the latest HMRC Guidelines.
- 18.5 All pay documents shall be submitted to the Finance Officer in accordance with the timetables and deadlines determined by the Finance Officer, as detailed in Appendix 7.

## **19 Security**

- 19.1 The Chief Executive shall be responsible for introducing and maintaining adequate arrangements for all aspects of security throughout the Organisation including personnel, buildings, land, stores, equipment, cash, computers, records, and confidential information. The Finance Officer's advice should be sought upon the adequacy of arrangements relating to cash, stores and valuable and attractive items of equipment as well as in those instances where security is thought to be defective. Maximum limits for cash holdings shall be agreed with the Finance Officer and shall not be exceeded without his/her express permission.
- 19.2 Keys to safes and similar receptacles are to be the responsibility of designated officers and are to be kept secure at all times. Loss of any such keys must be reported to the Finance Officer forthwith. Duplicate keys to all safes are to be held in a place approved by the Finance Officer and locked away for use in the case of emergency only.
- 19.3 The Finance Officer shall be responsible for ensuring that secure arrangements are made for the preparation and holding of pre-printed pre-signed cheques, stock certificates, bonds and other financial documents.
- 19.4 Whenever breaking and entering, burglary or criminal damage occurs the matter must be reported immediately by the Chief Executive to the Finance Officer in accordance with Financial Regulation 10.4.
- 19.5 The Chief Executive shall designate one officer as having responsibility for the co-ordination of computer data security issues. This designated officer shall agree with the Chief Executive the degree of privacy of the information put into computer systems used by the Organisation. The designated officer shall then be responsible for its intended use in the computer installation and for the ability of designed controls to comply with data protection legislation such as the

General Data Protection Regulation (Regulation (EU) 2016/679) (GDPR) and the Data Protection Act 2018, as applicable.

- 19.6 To comply fully with the requirements of data protection legislation including the General Data Protection Regulation (Regulation (EU) 2016/679) (GDPR) and the Data Protection Act 2018., the Chief Executive shall be responsible for maintaining proper security and the appropriate degree of privacy of information held within the Organisation either electronically or in other formats e.g. microfiche, paper output etc. All staff are responsible for ensuring that their use of personal data is consistent with the Organisation's registrations under the Act.
- 19.7 The Chief Executive should ensure that all staff who use information technology adhere to any guidelines on data security issued from time to time by the designated officer. All new employees should be briefed as to the security policies and procedures applicable, including the implications of relevant legislation.
- 19.8 In order to comply with the requirements of the 1988 Copyright, Design and Patents Act, the Chief Executive shall ensure that all staff only use software that is properly licensed.
- 19.9 The 1990 Computer Misuse Act introduced powers to prosecute those who deliberately and without authorisation misuse computer systems belonging to their employers. The Chief Executive should ensure that staff within the Organisation are aware of this legislation and ensure that their use of computers is for authorised purposes only and that no action, such as the running of unauthorised programs or games, corrupts data or introduces a virus to the system.
- 19.10 The Chief Executive should ensure that all staff are aware that information concerning secret and confidential matters, particularly those involving cash or cash deliveries, must not be disclosed in any way except to persons entitled to receive such information.

## **20 Stocks and Stores**

- 20.1 The Chief Executive shall be responsible for the proper custody of stocks and stores held by the Organisation and shall see that all stocks and stores under his/her supervision are subject to an effective system of stock recording and control as well as stocktaking.
- 20.2 It is the duty of the Chief Executive to maintain a continuous stock-check of all stocks and stores held by the Organisation.
- 20.3 Stocks and stores must not be held in excess of what is considered by the Organisation to constitute normal requirements.
- 20.4 All goods received should be checked against quantity/ quality at the time of delivery. Delivery notes should be retained with the original order and invoice and signed by the officer accepting receipt of the goods.
- 20.5 The Chief Executive should ensure that a count and valuation of all stocks and stores held in the Organisation is carried out on a date to be stipulated by the Finance Officer each year. In this respect, reference should be made to the

stocktaking guidelines contained at appendix 4. The Finance Officer, however, may dispense with this requirement in cases where the total value of the items held in a store is considered to be too small to justify such activities.

## **21 Travelling and Subsistence Claims**

- 21.1 Claims for travelling, subsistence and minor expenses other than those reimbursed via the imprest accounts, are to be reimbursed via the payroll system. Each claim shall be promptly submitted to the Finance Officer for payment and shall be presented on an approved form clearly detailing the expenditure incurred, supported by receipts where applicable, dated, coded, signed by the claimant and counter-signed by the appropriate authorising officer. Claims with a total value of less than £50 (inclusive of VAT) may be met from an imprest account.
- 21.2 Every officer who receives a car loan or car allowance, whether casual or essential, must produce to the Chief Executive the registration document of the car, a valid and adequate certificate of insurance and an assurance to take all reasonable steps to maintain the car in an efficient and roadworthy condition. This is to take place on a yearly basis, but the Chief Executive shall be promptly informed of any subsequent changes to the above details.
- 21.3 All car allowances are to be paid through the payroll system.
- 21.4 The Chief Executive shall supply the Finance Officer with specimen signatures of all persons in the Organisation who are authorised to certify travelling and subsistence claims and the Finance Officer shall be notified of any changes as they occur.
- 21.5 The certification by or on behalf of the Chief Executive shall be taken to mean that the certifying officer is satisfied that the journeys were authorised, the expenses properly and necessarily incurred and all the requirements of the appropriate approved scheme have been observed.

## **22 Insurance**

- 22.1 The Finance Officer in consultation with the Chief Executive shall ensure that adequate insurance cover is maintained for all the Organisation's assets. The Finance Officer shall also ensure that suitable cover exists to meet any losses or claims which may arise in connection with the provision of the Organisation's services, or from its legal liabilities as an employer, or to third parties.
- 22.2 The Finance Officer shall negotiate annually renewal terms for all the Organisation's insurances at least every five years and the Chief Executive shall provide such information as is necessary to facilitate these negotiations.
- 22.3 The Finance Officer will advise the Chief Executive on all necessary arrangements and information required in respect of insurance cover for the acquisition of property or goods which may necessitate notice to the organisation's insurers.
- 22.4 The Chief Executive shall give prompt notification to the Finance Officer of all

new insurable risks and shall provide the Finance Officer with a copy of any indemnity which the Organisation is expected to give. The Chief Executive shall not enter into any such indemnity unless the terms thereof have been approved by the Finance Officer.

- 22.5 The Chief Executive shall notify promptly the Finance Officer of anything likely to give rise to a claim and shall provide such information as is necessary to negotiate claims. Where appropriate, and not in conflict with Financial Regulation 10.4, the Chief Executive in consultation with the Finance Officer should inform the Police.
- 22.6 The Finance Officer may establish such funds as are necessary to meet the uninsured losses of London Councils. Where such losses relate to a Sectoral joint committee then the prior agreement of the appropriate Sectoral joint committee must be obtained. In all other instances the prior agreement of London Councils is to be obtained. Such funds will be operated in accordance with a scheme drawn up by the Finance Officer.
- 22.7 The Finance Officer shall maintain a register of all insurances and the property or risks covered. The Finance Officer shall be notified immediately that any valuables belonging to a private individual are taken into the Organisation's possession so that directions may be given as to their recording and safe keeping. For the purposes of this Financial Regulation the term "valuables" shall include watches, jewelry, cash, documents, goods, chattels or any other items of intrinsic value. This Financial Regulation does not apply to "lost property" of a low value.
- 22.8 Prompt notification shall be given to the Finance Officer following any alteration to the Organisation's insurance status resulting from the award or completion of any contract.

### **23 Treasury Management and Investments**

- 23.1 London Councils has adopted the "Code of Practice for Treasury Management in Local Authorities" as published by the Chartered Institute of Public Finance and Accountancy (CIPFA). This will include its reporting requirements. The CIPFA Code defines "Treasury Management" as "The management of all money and capital market transactions in connection with cash and funding resources of the local authority". Unless decided otherwise by London Councils, this does not include management of Pension Fund money.
- 23.2 The Finance Officer shall be responsible for all borrowing and investment of London Councils, subject to the approval of London Councils or the relevant Sectoral joint committee.
- 23.3 In order to minimise the extent of temporarily surplus funds the Finance Officer shall make such arrangements (including direct payment by the Participating Councils in the TEC Agreement to the Operators) as are reasonable and practical to match the timing of those Councils' contributions to the Concessionary Fares scheme with payments due to the various Transport Operators

- 23.4 All investments shall be made by the Finance Officer on behalf of London Councils and shall be noted as being for the purposes of the relevant Committee.
- 23.5 All executive decisions on borrowing, investment or financing shall be delegated to the Finance Officer or through him/her to his staff, who shall be required to act in accordance with CIPFA's "Code of Practice for Treasury Management in Local Authorities".
- 23.6 Income received from investments shall be reported annually to London Councils and any Sectoral joint or associated committee by the Finance Officer, as part of the close down of accounts procedure. The Finance Officer shall submit reports on policy, sales and purchases for consideration by London Councils to at least four meetings each year.
- 23.7 The investment of funds included within Pension Funds may be carried out by one or more firms of Fund Managers with the concurrence of London Councils.

## **24 Unofficial Funds**

- 24.1 An "unofficial fund" is any fund where the income and expenditure does not form part of the Organisation's accounts, but which is controlled wholly or in part by an officer on behalf of London Councils.
- 24.2 The Finance Officer shall be informed of the existence of all unofficial funds, and will issue and update accounting instructions for them where necessary.

## **25 Taxation Requirements**

- 25.1 The Finance Officer has overall responsibility for dealing with all statutory requirements concerning the collection, payment and accounting for Value Added Tax (VAT), Pay As You Earn (PAYE) and Construction Industry Scheme (CIS).
- 25.2 The Finance Officer will from time to time issue to the Chief Executive guidance and advice on VAT, PAYE and CIS arrangements arising from such issues as changes in legislation. It is the responsibility of the Chief Executive to make arrangements in the Organisation to ensure that the advised regulations and procedures are implemented.
- 25.3 The Chief Executive must ensure that procedures are in place in the Organisation to provide evidence that all VAT, PAYE and CIS transactions are supported by the correct documentation.
- 25.4 The Chief Executive will consult with the Finance Officer with regard to any issue on VAT, PAYE and CIS that requires advice or clarification.

## **26 Corporate Charge Card**

- 26.1 The Finance Officer will nominate holders of corporate charge cards to facilitate the payment of online, advance or emergency purchases.

- 26.2 The Finance Officer will be responsible for setting the transaction limits on the corporate charge cards which should be taken into account when raising orders for goods or services to be purchased using corporate charge cards. An official purchase order must be prepared and authorised in accordance with Financial Regulation 16 prior to the procurement of goods or services using the charge card.
- 26.3 Corporate charge cards should only be used on official business and not for personal use.
- 26.4 Corporate charge cards must not be used to withdraw cash.
- 26.5 Corporate charge cards must be stored in a safe place when not in use.
- 26.7 Card holders must retain invoices, vouchers, receipts, online booking documents or other supporting documentation. Card holders must reconcile their card statements to the supporting documentation and submit it to their line manager for review and approval each month.
- 26.8 The Finance Officer will carry out such inquiries and checks on the corporate charge card reconciliations submitted, as he deems necessary. In the event of misuse or failure to follow established procedures, the card may be revoked or other appropriate disciplinary action taken.
- 26.9 Where any fraudulent misuse of the card is identified it should be investigated in accordance with London Councils' Anti-Fraud, Bribery and Corruption Strategy (see Appendix 11).