



Meeting of the

# TOWER HAMLETS COUNCIL

---

Wednesday, 17 July 2019 at 7.00 p.m.

---

**AGENDA SUPPLEMENT: CONSTITUTION**

---

## VENUE

Council Chamber, 1<sup>st</sup> Floor,  
Town Hall, Mulberry Place,  
5 Clove Crescent,  
London E14 2BG

**Democratic Services Contact:**

Matthew Mannion, Head of Democratic Services

Tel: 020 7364 4651, E-mail: [matthew.mannion@towerhamlets.gov.uk](mailto:matthew.mannion@towerhamlets.gov.uk)

# AGENDA SUPPLEMENT

## COUNCIL

WEDNESDAY, 17 JULY 2019

7.00 p.m.

### 10. **REPORTS FROM THE EXECUTIVE AND THE COUNCIL'S COMMITTEES**

#### 10.1 **Report of the General Purposes Committee: Revised Constitution**

**5 - 80**

To consider the report of the General Purposes Committee setting out a proposed revised Constitution.

This pack contains additional papers that are additional to the main Constitution pack including:

- Revised Financial Regulations and Procedure Rules (Part C Section 36 of the revised Constitution)
- New Corporate Scheme of Financial Delegations (as part of the above document – to be included in Part D Section 47 of the Constitution)
- Contract and Procurement Procedure Rules (unchanged from the current Constitution) (Part C Section 37 of the revised Constitution)

# Financial Regulations and Procedure Rules

## CONTENTS

Section	Subject
<b>1</b>	Introduction
<b>2</b>	Part A – General
	Part B – The Financial Control Framework
	Part C – Financial Planning
	Part D – Financial Management
	Part E – Risk Management and Control of Resources
	Part F – Financial Administration
	Part G – External Arrangements
<b>3</b>	Scheme of Financial Delegation
<b>Appendix A</b>	Other Financial Guidelines
<b>Appendix B</b>	Glossary and Abbreviations
<b>External Reference</b>	
	Financial Procedures Manual.

## Section 1 – Introduction

The purpose of these Financial Regulations (Regulations) is to provide the governance framework for managing the Council’s financial affairs.

To conduct its activities efficiently, a local authority needs to ensure it has sound financial management policies in place and which are strictly adhered to. Part of this process is to establish Financial Regulations that set out the financial policies of the authority. The Financial Regulations are underpinned by detailed financial procedures.

Financial Regulations provide clarity about the financial responsibilities of individuals within the organisation. All individuals engaged on Council activities are responsible for ensuring that their actions comply with the objectives specified in the financial and procurement procedures.

In compiling these regulations and procedures the objective has been:

- To provide advice on how to undertake the financial aspects of your duties;
- To disseminate best practice throughout the Council;
- To ensure consistency; and
- To ensure legal requirements are adhered to.

To do this, the regulations set out the Council’s requirements in respect of:

- financial management roles and responsibilities
- financial planning and budgeting
- financial monitoring and control
- internal control and audit
- financial systems and procedures
- external arrangements

The procedures have been developed by the council’s Finance Department and have been the subject of extensive consultation. However, it is impossible for the procedures to cover every eventuality and an element of interpretation may be necessary. If further advice is required, please contact your Directorate Finance Business Partner. The business partnering model and the term Finance Business partner (FBP) describes a broad range of skills exhibited by individuals at different levels depending on customer requirements; in Tower Hamlets these people may be described variously as Strategic Heads of Finance, Finance Managers, Senior Accountants etc.

The Corporate Director of Resources is responsible for the administration of the Council’s financial affairs. As part of her/his duties, s/he will, when s/he considers it

appropriate, issue Financial Regulations/ Procedures which are the rules governing the management of the Council's financial resources. S/he will ensure that the Regulations/ Procedures and any updated or amended versions are made available to all chief officers, the Mayor and Members of the Council. These Regulations/ Procedures and any updated or amended versions will then be placed in Appendix A of these Rules.

It is the responsibility of all Chief Officers to comply personally with Financial Regulations/ Procedures and to ensure that all officers within their Directorate with financial responsibilities also comply with them. Failure to comply with Financial Regulations/ Procedures is likely to constitute a disciplinary offence and be investigated under the appropriate disciplinary procedure.

### **Compliance CIPFA Guidance for Local Government**

Local government finance in the UK is governed by primary legislation, regulation and professional standards set by CIPFA. As a matter of principle, the Council will conduct its financial affairs in accordance with accepted standard practice embodied by CIPFA's Code of Practice framework. This includes:

- CIPFA Treasury Management in the Public Services Code of Practice
- CIPFA Code of Practice on Local Authority Accounting
- CIPFA/SOLACE guidance 'Delivering Good Governance in Local Government'
- CIPFA's Audit Committees – Practical Guidance for Local Authorities
- CIPFA's Code of Practice for Internal Audit in Local Government

To date, the general financial management of a local authority, has not been supported by a professional code. CIPFA is now proposing that a Financial Management Code (CIPFA FM Code) should be designed and developed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. The CIPFA FM Code would therefore for the first time set standards of financial management for local authorities in the UK. The Council is committed to developing financial management arrangements that align to the proposed CIPFA FM Code.

## Section 2 – Financial Regulations

### A: General

<b>A1</b>	<b>Application</b>  <ol style="list-style-type: none"><li>1. Financial regulations provide the framework for managing the Council's financial affairs. They apply to the Mayor, every elected Member and officer of the Council and anyone acting on its behalf.</li><li>2. The Mayor, all Members, staff, agents and consultants have a general responsibility for taking action to provide for the security of the assets under their control, and for ensuring that the use of these resources is legal, properly authorised, provides value for money and achieves best value.</li></ol>
<b>A2</b>	<b>Delegation</b>  <ol style="list-style-type: none"><li>1. The Constitution of the Council sets out the main delegations and these Regulations identify the additional financial delegations that the Council has decided to make to its officers. The Constitution of the Council also includes the Financial Procedure Rules.</li><li>2. Where decisions have been delegated, references to the Senior Manager refers to these delegations. No other delegations should be inferred from these Regulations.</li><li>3. A 'Senior Manager' for the purpose of these Regulations means the Head of Paid Service, Corporate Directors, Service Heads, and Budget Managers unless otherwise specified in these Regulations</li><li>4. The Council operates a system of devolved financial responsibility under which Directorates administer their financial affairs.</li><li>5. A written record should be maintained of all corporate and directorate schemes of delegation which form part of the Council's Constitution. This should include the delegated financial powers exercised by specified Council Officers, such as the power to incur costs on behalf of the Council. A scheme of Financial Delegation is set out in Section 3 of these Financial Regulations.</li><li>6. Delegation empowers junior officers, but ultimate managerial accountability remains with the Senior Manager taking a decision under delegated authority.</li></ol>

<b>A3</b>	<p><b>All staff to have access to Financial Regulations</b></p> <ol style="list-style-type: none"> <li>1. Senior Managers are responsible for ensuring that all staff in their Directorate or Service Area are aware of the existence and content of the Council's financial regulations and other internal regulatory documents and that they comply with them.</li> </ol>
-----------	---

**B: The Financial Control Framework**

<b>B1</b>	<p><b>Full Council</b></p> <ol style="list-style-type: none"> <li>1. Full Council is responsible for approving the Budget and Policy Framework within which the Executive operates.</li> <li>2. Full Council is also responsible for approving and monitoring compliance with the Council's overall framework of accountability and control. The framework is set out in the Council's Constitution and Code of Corporate Governance.</li> </ol>
<b>B2</b>	<p><b>The Executive</b></p> <ol style="list-style-type: none"> <li>1. The Executive is responsible for proposing the policy framework and budget to the full Council, and for discharging executive functions in accordance with the budget policy framework as contained in the Constitution.</li> <li>2. In making any decision, the Executive must take account of legal and financial liabilities and risk management and other relevant issues that may arise from the decision.</li> <li>3. The Executive is responsible for specifying the limits within which officers have delegated authority to make decisions. These thresholds are as set out in section B10 of these Regulations.</li> </ol>
<b>B3</b>	<p><b>Overview and Scrutiny</b></p> <ol style="list-style-type: none"> <li>1. The Overview and Scrutiny Committee is responsible for scrutinising executive decisions and for holding the executive to account. The Committee is also responsible for making recommendations on future policy options and for reviewing general policy and service delivery of the authority.</li> </ol>
<b>B4</b>	<p><b>Audit Committee</b></p> <ol style="list-style-type: none"> <li>1. The Audit Committee is the Committee charged with scrutinising the financial governance and system of internal controls of the authority.</li> <li>2. The Audit Committee has right of access to all the information it considers necessary and can consult directly with internal and external auditors.</li> </ol>

	<ol style="list-style-type: none"> <li>3. The Audit Committee is responsible for reviewing the external auditor's reports and the annual audit letter and internal audit's annual report.</li> <li>4. The Audit Committee is responsible for approving the Statement of Accounts of the authority.</li> <li>5. The Audit Committee is responsible for scrutinising the Treasury Management report.</li> </ol>
<b>B5</b>	<p><b>Chief Executive/Head of Paid Service</b></p> <ol style="list-style-type: none"> <li>1. The Chief Executive/Head of Paid Service is responsible for the corporate and overall strategic management of the Council as a whole.</li> <li>2. The Chief Executive/Head of Paid Service must report to and provide information for the Executive, the full Council, the Overview and Scrutiny Committee and other Committees.</li> <li>3. The Chief Executive/Head of Paid Service is responsible for establishing a framework for management direction, style and standards and for monitoring the performance of the organisation.</li> <li>4. The Chief Executive/Head of Paid Service is also responsible for ensuring that all decisions made by the Executive and the reasons for them are made public. They must also ensure that Council Members are aware of decisions made by the Executive and of those made by officers who have delegated executive responsibility.</li> </ol>
<b>B6</b>	<p><b>Monitoring Officer</b></p> <p>The Council's Monitoring Officer is responsible for:</p> <ol style="list-style-type: none"> <li>1. Promoting and maintaining high standards of ethical conduct and provides support to the Standards Committee.</li> <li>2. Reporting any actual or potential breaches of the law or maladministration to the Full Council and/or the Executive.</li> <li>3. Advising all Councillors and officers about who has authority to take a particular decision.</li> <li>4. Advising the Executive or Full Council about whether a decision is likely to be considered contrary or not wholly in accordance with the Budget &amp; Policy Framework.</li> <li>5. Maintaining an up-to-date constitution.</li> </ol>

**B7**

**Corporate Director of Resources**

The Corporate Director of Resources is the officer responsible for financial administration under s.151 of the Local Government Act 1972 and is responsible for:

1. The proper administration of the Council's financial affairs.
2. Setting and monitoring compliance with financial management standards.
3. Advising on the corporate financial position and on the key financial controls necessary to secure sound financial management.
4. Providing financial information in conjunction with Senior Managers.
5. Ensuring that the annual statement of accounts is prepared in accordance with International Financial Reporting Standards, the Code of Practice on Local Authority Accounting and the Service Reporting Code of Practice within the statutory deadlines. This includes producing a timetable and a closure manual which specifies the information required to enable the accounts to be produced.
6. To liaise with External Audit on the completion of the Statement of Accounts and the arrangements for the audit of these.
7. To ensure that working papers are prepared to support the statement and these are sufficient to meet the needs of external audit.
8. To sign and date the Statement of Accounts, stating that these give a true and fair view of the financial position of the Council.
9. To ensure the Accounts are approved by Audit Committee.
10. Preparing the revenue budget and capital programme relating to the General Fund and the Housing Revenue Account.
11. Ensuring that reports requesting decisions of Members include appropriate statements as to the financial and use of resources implications of the matter under consideration.
12. Treasury management.
13. Section 114 of the Local Government Finance Act 1988 requires the Corporate Director of Resources to report to the full Council, executive and external auditor if the authority or one of its officers:
  - i. has made, or is about to make, a decision which involves incurring unlawful expenditure.
  - ii. has taken, or is about to take, an unlawful action which has resulted or would result in a loss or deficiency to the Council.
  - iii. is about to make an unlawful entry in the authority's accounts.

	<p>14. Section 114 of the 1988 Act also requires the Corporate Director of Resources to nominate a properly qualified member of staff to deputise should he or she be unable to perform the duties under section 114 personally.</p> <p>15. Selecting accounting policies and ensuring that they are applied consistently.</p> <p>16. Determining the accounting procedures and records for the authority.</p> <p>17. Issuing advice and guidance to underpin the Financial Regulations.</p> <p>18. Maintaining a continuous review of the Financial Regulations and issuing updates as necessary.</p> <p>19. In conjunction with Senior Managers reporting breaches of the Financial Regulations to the Audit Committee.</p> <p>20. Preparing reports to Corporate Management Team and the Executive to set the Cabinet Thresholds for reporting specific financial issues to the Executive.</p>
<b>B8</b>	<p><b>Corporate Directors and Service Heads (Senior Managers)</b></p> <p>Corporate Directors and Service Heads are responsible for:</p> <ol style="list-style-type: none"> <li>1. Ensuring that the Executive are advised of the financial implications of all proposals and that the financial implications have been agreed by the Corporate Director of Resources.</li> <li>2. Signing contracts on behalf of the Council.</li> <li>3. The exercise of budgetary control.</li> <li>4. Consulting with the Corporate Director of Resources to seek approval on any matter liable to affect the Council's finances materially, before any commitments are incurred.</li> <li>5. Ensuring that matters requiring a decision by Members are drawn to the attention of the Corporate Director of Resources before any such decision is taken.</li> </ol>
<b>B9</b>	<p>The Finance Business Partners</p> <ol style="list-style-type: none"> <li>1. The Finance Business Partners report directly to the Divisional Director of Finance, Procurement and Audit through to the Corporate Director of Resources.</li> <li>2. The Finance Business Partner is responsible for informing the Corporate</li> </ol>

	<p>Director of Resources of any issue which may have implications for the exercise of the Corporate Director’s responsibilities under Section 151 of the Local Government Act 1972 and Section 114 of the Local Government Finance Act 1988.</p> <p>3. The Finance Business Partner is responsible for ensuring Directorate compliance with the Financial Regulations, Schemes of Financial Delegation, the Procurement Procedures and other instructions and guidance issued by the Corporate Director of Resources.</p>
<b>B10</b>	<p><b>Individual Members of the Council</b></p> <p>No financial decisions are delegated to individual Members of the Council under these Regulations, and no individual Member may instruct any officer to act in any particular way or to take any decision without the authority of the Full Council or the delegated authority of the Executive.</p>
<b>B11</b>	<p><b>Cabinet Reporting Thresholds</b></p> <p>The following thresholds have been set by the Executive for reports to be submitted to Cabinet/the Executive for approval.</p> <p>Issues which are projected to involve sums below the “Delegated Authority Threshold” may be authorised by Corporate Directors in line with the scheme of delegations.</p> <p>Issues which are approved by Corporate Directors under delegated authority but involve sums in excess of the “Noting Report Threshold” must be the subject of a noting report to the next available Cabinet.</p> <p>Please also see the Virements Section at D2 for more information.</p>

	<b>Delegated Authority Threshold</b>	<b>Noting Report Threshold</b>
Transfer of a budget allocated for a particular purpose to be used for another purpose (Virement)	SEE TABLE AT SECTION D2	£1M
Approval of a supplementary or additional of a Capital Budget	£250,000	£250,000
Waiving Competition Requirements for Contracts and Orders (Subject to EU Threshold)	£250,000	£250,000
Capital Overspends	£250,000	£250,000
Settlement of Uninsured Claims	£250,000	£250,000

### **C: Financial Planning**

<b>C1</b>	<p><b>Budgets and Capital Programmes</b></p> <p><b>Budgets</b>  The budgets are prepared in line with the Budget Framework which comprises the following;</p> <ul style="list-style-type: none"> <li>General Fund Budget</li> <li>Housing Revenue Account Budget</li> <li>Dedicated Schools Budget</li> <li>General Fund Capital Programme and Strategy</li> <li>Housing Revenue Account Capital Programme</li> </ul> <p>The Council is responsible for agreeing the Budget Framework. It is the responsibility of the Executive (whether the Mayor, the Cabinet, individual Members or an officer acting on delegated authority) to operate within the Budget Framework.</p> <p>Any proposal or decision by the Mayor or Executive that would result in expenditure exceeding the limits within the budget framework as defined above will be considered a breach of that framework, and must be dealt with in accordance with the Budget and Policy Framework Procedure Rules at Part 4.3 of the Constitution.</p>
-----------	--

### **Setting the Budget**

1. The process for compilation of the budget will be approved by the Executive on the advice of the Corporate Director of Resources.
2. The draft budget should include projected net expenditure on services and projects, proposed taxation and other income levels as well as any contingency funds.
3. The Corporate Director of Resources is responsible for ensuring that a revenue budget and a Medium-Term Financial Plan for a three year review period are prepared annually for consideration by the Executive, before submission to the Full Council.
4. Senior Managers will ensure the proper administration of the Revenue Budgets and the Capital Programme allocated to them. They will also ensure compliance with guidance and instructions issued by the Corporate Director of Resources.

### **Revenue Budget**

The current elements which comprise the budget setting process are as set out below:

1. The Government publishes its spending plans, indicating the aggregate resources to be allocated to Local Authorities in the medium term.
2. This is followed by final announcement and more information each year of the resources to be allocated by Central Government to Local Authorities.
3. The Council has to calculate its tax base, which is formally approved by the Executive in January.
4. The Greater London Authority will notify the Council of the amount it requires to be collected from the residents and this is incorporated into the Council Tax calculation.
5. The Executive must propose its budget to Council in accordance with the Budget and Policy Framework Procedure Rule.
6. The Council has to agree the level of Council Tax before 11<sup>th</sup> March each year and at the same time Full Council will also formally agree a legal balanced budget.

### **Capital Programme**

The Council produces a three-year capital programme to ensure resources are maximised, and potential resource gaps identified.

This avoids abortive costs being incurred.

### **Objectives**

1. A Capital Programme is to be prepared annually projecting capital expenditure and associated resources for the next 3 years.
2. All capital receipts are to accrue to the Corporate budget in the first instance and are to be allocated on the basis of criteria corresponding to the capital

	<p>strategy document.</p> <ol style="list-style-type: none"> <li>3. Central Government resources, which are not specific to a project or programme area, also accrue to the Corporate pot and are allocated based on criteria corresponding to the capital strategy document.</li> <li>4. All Directorates are entitled to bid for resources within the Corporate budget .</li> <li>5. All capital programme expenditure must satisfy the statutory definitions of capital.</li> <li>6. The contents and format of the Capital Programme is to be specified by the Corporate Director of Resources.</li> </ol> <p>The detailed responsibilities of the Corporate Director of Resources and the Senior Managers can be found in the separate Financial Procedures Manual.</p>
<b>C2</b>	<p><b>Maintenance of Reserves</b></p> <p>The Authority must decide the level of General Reserves it wishes to maintain as part of its financial planning before it can set the annual Council Tax. Reserves are maintained as a matter of prudence. They enable the authority to provide for unexpected events and thereby protect it from overspending, should such events occur.</p> <p>Reserves for specific purposes may also be maintained, such as the purchase or renewal of capital items. Accounting policies require these to be differentiated from Provisions, the latter being maintained to meet future expenditure arising from a past event the timing of which is uncertain and cannot therefore be contained in the annual budget.</p> <p><b>Objectives</b></p> <ol style="list-style-type: none"> <li>1. To maintain Reserves in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice, LAAP Bulletin 55 and other agreed accounting policies.</li> <li>2. For each Reserve established, the purpose, usage, procedures for the management and control of reserves, and basis of transactions should be clearly identified.</li> <li>3. Authorisation of expenditure from Reserves is agreed by the Corporate Director of Resources.</li> </ol> <p>It is the responsibility of the Corporate Director of Resources to advise the Executive on prudent levels of reserves for the Council. Further details on the detailed responsibilities of the Corporate Director of Resources and the Senior Managers can be found in the separate Financial Procedures Manual.</p>
<b>C3</b>	<p><b>Financial Implications of Decision Making</b></p> <ol style="list-style-type: none"> <li>1. The Corporate Director of Resources is responsible for: <ol style="list-style-type: none"> <li>a. Issuing guidance in relation to the presentation of financial implications within the Council’s decision making processes.</li> <li>b. Ensuring sufficient information on financial implications is presented within individual decision making reports and have</li> </ol> </li> </ol>

	<p>appropriate sign-off.</p> <ol style="list-style-type: none"> <li>2. Senior Managers are responsible for: <ol style="list-style-type: none"> <li>a. Ensuring that all decision making reports properly set out the financial implications of any proposed actions, through the provision of adequate information to relevant people and departments to allow this section to be prepared.</li> <li>b. Ensuring they act in accordance with guidance issued by the Corporate Director of Resources.</li> <li>c. Arranging for all financial implications to be validated and formally signed off by the Corporate Director of Resources, or his/her nominated representative, prior to their progression through the approval process.</li> <li>d. Consulting with relevant parties where there may be financial implications for them, including other Cabinet members.</li> </ol> </li> </ol>
C4	<p><b>Financial Planning Responsibilities</b></p> <p><b>Capital Programme</b></p> <p><b>Responsibilities of Corporate Director of Resources</b></p> <ol style="list-style-type: none"> <li>1. To issue detailed guidelines annually on the format and content of the three-year capital programme and produce the three-year programme for approval by the Executive.</li> <li>2. To produce the criteria for the approval of Directorate bids to be allocated corporate capital resources.</li> <li>3. To produce a corporate capital programme for approval by the Executive, including elements to satisfy local priorities.</li> <li>4. To devise a mechanism that allocates resources to Directorate Capital Programmes.</li> <li>5. To produce a report for the Executive for the approval and the allocation of capital resources to Directorates.</li> </ol> <p><b>Responsibilities of Senior Managers</b></p> <ol style="list-style-type: none"> <li>1. To prepare bids for capital resources corresponding to the guidance issued by the Corporate Director of Resources.</li> <li>2. To prepare monitoring reports of the schemes in the approved capital programme in the format and timetable specified by the Corporate Director of Resources.</li> <li>3. To ensure that records which satisfy internal and external audit requirements are maintained for all contracts.</li> <li>4. To proceed with projects only when there is a budget within the agreed capital programme and adequate capital resources have been identified.</li> <li>5. To obtain a supplementary capital budget where an individual Capital Scheme is projected to spend in excess of the original approval, or an additional scheme needs approval. <ul style="list-style-type: none"> <li>• A supplementary capital budget can be granted by the appropriate Corporate Director if the overspend is less than £250,000 – Financial Regulation B10.</li> <li>• Executive approval must be obtained for Supplementary Capital budgets in excess of £250,000. An explanatory report is required.</li> </ul> </li> </ol>

6. To comply with Financial Instructions relating to procurement as issued by the Corporate Director of Resources.
7. To comply with the financial accounting instructions relating to capital items issued by Corporate Director of Resources.
8. To ensure that adequate provision is made in the revenue budget for any ongoing revenue costs arising from capital schemes.

#### **Revenue Budget Preparation**

##### **Responsibilities of the Corporate Director of Resources**

1. To issue detailed guidance and instructions on the procedures, responsibilities and timetable for preparing Revenue Budgets.
2. To provide guideline cash budget options to Members following Government announcements.
3. To work within the political budget strategy provided by the Executive.
4. To manage, in conjunction with Directorates, a process to deliver a balanced budget.
5. To calculate the resource/projected expenditure position for the period of the Medium-Term Financial Plan (3-5 years ahead).
6. To collate the exemplifications of savings or growth from departments, as required by the budget strategy.
7. To advise and agree the levels of inflation that may be applied to specific areas of expenditure.
8. To prepare and submit reports to the Executive, in line with the Scheme of Delegation, on the aggregate spending plans of Directorates and on the resources available to fund them, identifying, where appropriate, the implications for the level of Council Tax to be levied.
9. To obtain Full Council approval for both the Council Tax and the budget setting report each year within the statutory timetable.

##### **Responsibilities of Senior Managers**

1. To take responsibility for delivering the budget strategy.
2. To assist in the development and delivery of the budget process.
3. When drawing up draft budget requirements, to have regard to:
  - spending patterns and pressures revealed through the budget monitoring process.
  - legal requirements.
  - policy requirements as determined by the Full Council in the approved policy framework.
  - initiatives already under way.
4. To work within budget limits.
5. To provide the specific Directorate information requested.
6. To compile a Directorate budget within the guidelines issued by the Corporate Director of Resources.
7. To obtain the approval of the Executive for new proposals, of whatever amount, that:
  - create financial commitments in future years.
  - change existing policies, initiate new policies or cease existing policies.

	<ul style="list-style-type: none"> <li>• in the opinion of the Senior Manager and appropriate Lead Member materially extend or reduce the Council's services.</li> </ul>
--	--

**D: Financial Management**

<b>D1</b>	<p><b>Budget Monitoring and Control</b></p> <p><b>Background</b>  Budgetary control ensures that resources allocated are utilised for their intended purposes, are properly accounted for, and provides timely information on variations from financial targets. Budgetary control is a continuous process, enabling the Council to review and adjust its budget targets during the financial year and identifies managers responsible for defined elements of the budget.</p> <p>Capital budget monitoring ensures that capital resources allocated by the Executive are used for their intended purposes. Capital control provides the mechanism to review progress on capital schemes, by comparison with the capital programme. The Corporate Capital Monitoring Statement is a report that is produced every quarter that details projected capital expenditure and resources.</p> <p><b>Objectives</b></p> <ol style="list-style-type: none"> <li>1. Identify a nominated budget manager for each cost centre.</li> <li>2. Ensure budget managers accept accountability for their budgets, the level of service to be delivered and understand their financial responsibilities.</li> <li>3. Ensure budget managers follow an approved certification process for all expenditure.</li> <li>4. Ensure income and expenditure are properly recorded and accounted for.</li> <li>5. Ensure levels of service are monitored in conjunction with the budget and necessary action is taken to align service outputs and budget.</li> <li>6. Ensure actual income and expenditure is equal to that recorded on the corporate financial systems.</li> <li>7. Ensure that there is a nominated officer for each capital budget, project and programme.</li> <li>8. Budget managers are accountable for their projects and budgets.</li> <li>9. Ensure potential resource under or over provision is identified early in the capital programme cycle to enable remedial action to be taken.</li> </ol> <p><b>Responsibilities</b></p> <ol style="list-style-type: none"> <li>1. Senior Managers are responsible for ensuring that within any financial year they take all reasonable measures to ensure an approved Revenue or Capital Budget within their control is not overspent.</li> <li>2. Senior Managers must seek to ensure that there is no shortfall in the budgeted level of income.</li> <li>3. When a projected overspend (or under recovery of income) is forecast to occur in a section of the Revenue Budget, or on a scheme within the Capital Programme, Senior Managers and other responsible officers must take measures to eliminate or reduce the overspend and maintain records of such actions.</li> </ol>
-----------	---

	<p>4. The Corporate Director of Resources must be informed of potential budget variances in accordance with budget monitoring guidelines. The overspend will be the subject of a report to the Executive.</p> <p>Further details on the detailed responsibilities of the Corporate Director of Resources and the Senior Managers can be found in the separate Financial Procedures Manual.</p>		
<b>D2</b>	<p><b>Virements</b></p> <p>These rules aim to allow the Executive to manage the budget once it has been approved by Council, whilst also providing for good governance of financial matters. For more details on Virements please see FM2, FM5 and FA10 of Appendix A to these Rules.</p> <p>A virement is the transfer of resources from one budget head to another, during a financial year. It is thus the financial consequence of a change in priority of service delivery or in the means by which services are delivered. It can also be the use of resources provided within the budget framework, but which are not allocated for any specific purpose e.g. unallocated contingency. A virement will naturally flow from, and be part of, a decision.</p> <p>The Executive shall have the power to vire resources within each of the above components of the Budget Framework agreed by Council, subject to the following limitations:</p>		
	<p><b>Virement within a Portfolio</b></p>		
	<table border="1"> <tr> <td data-bbox="339 1328 740 1518">Up to £100,000</td> <td data-bbox="740 1328 1361 1518">Budget Holder in agreement with a Divisional Director</td> </tr> </table>	Up to £100,000	Budget Holder in agreement with a Divisional Director
Up to £100,000	Budget Holder in agreement with a Divisional Director		
	<table border="1"> <tr> <td data-bbox="339 1518 740 1753">From £100,000 up to but not including £250,000</td> <td data-bbox="740 1518 1361 1753">The relevant Corporate Director in agreement with the Corporate Director of Resources</td> </tr> </table>	From £100,000 up to but not including £250,000	The relevant Corporate Director in agreement with the Corporate Director of Resources
From £100,000 up to but not including £250,000	The relevant Corporate Director in agreement with the Corporate Director of Resources		
	<table border="1"> <tr> <td data-bbox="339 1753 740 1982">From £250,000 up to but not including £1m</td> <td data-bbox="740 1753 1361 1982">The relevant Cabinet Member in agreement with the Cabinet Member for Resources, Corporate Director and Corporate Director of Resources</td> </tr> </table>	From £250,000 up to but not including £1m	The relevant Cabinet Member in agreement with the Cabinet Member for Resources, Corporate Director and Corporate Director of Resources
From £250,000 up to but not including £1m	The relevant Cabinet Member in agreement with the Cabinet Member for Resources, Corporate Director and Corporate Director of Resources		

£1m and above	The Mayor in Cabinet
<b>Virement between Portfolios</b>	
Up to £100,000	Budget Holder in agreement with the Divisional Directors from both affected portfolios
From £100,000 up to but not including £250,000	The relevant Corporate Directors from both affected portfolios in agreement with the Corporate Director of Resources
From £250,000 up to but not including £1m	The relevant Cabinet Members in agreement with the Cabinet Member for Resources, the relevant Corporate Directors and Corporate Director of Resources
£1m and above	The Mayor in Cabinet
<p><b>Virements – Non-Financial Consequences</b></p> <p>The Virement Rules refer only to the financial consequences of proposals and decisions by the Executive. However, such proposals and decisions can also impact upon services and upon the community. This needs to be acknowledged when determining the procedural arrangements for those proposals and decisions, for example they may represent a “key decision”.</p>	

## E: Risk Management and Control of Resources

<b>E1</b>	<b>Risk Management</b> <ol style="list-style-type: none"><li>1. Audit Committee is responsible for approving the authority's risk management policy statement and strategy and for reviewing the effectiveness of the risk management.</li><li>2. The Executive is responsible for ensuring that proper insurance exists where appropriate.</li><li>3. The Corporate Director of Resources is responsible for preparing the authority's risk management policy statement, for promoting it throughout the authority and for advising the Executive on proper insurance cover where appropriate.</li></ol>
<b>E2</b>	<b>Internal Control</b> <ol style="list-style-type: none"><li>1. Internal control refers to the systems of control devised by management to help ensure the authority's objectives are achieved in a manner that promotes economical, efficient and effective use of resources and that the authority's assets and interests are safeguarded.</li><li>2. The Corporate Director of Resources is responsible for advising on effective systems of internal control.</li><li>3. Senior Managers are responsible for organising their operations to ensure appropriate controls are in place, ensure the Council's objectives are achieved, VFM secured and assets are safeguarded.</li><li>4. Such arrangements need to ensure compliance with all applicable statutes and regulations, and other relevant statements of best practice.</li><li>5. Senior Managers must ensure that public funds are properly safeguarded and used economically, efficiently, and effectively and in accordance with the statutory and other authorities that govern their use.</li><li>6. It is the responsibility of Senior Managers to establish sound arrangements for planning, appraising, authorising and controlling their operations in order to achieve economy, efficiency and effectiveness and for achieving their financial performance targets.</li></ol>
<b>E3</b>	<b>Audit Arrangements</b> <ol style="list-style-type: none"><li>1. The Accounts and Audit Regulations 2015 require every local authority to maintain an adequate and effective internal audit.</li><li>2. The Audit Committee, in conjunction with an Independent Auditor Panel is responsible for appointing external auditors to each local authority. The</li></ol>

	<p>basic duties of the external auditor are governed by part 5 of the Local Audit and Accountability Act 2014.</p> <ol style="list-style-type: none"> <li>3. The authority may, from time to time, be subject to audit, inspection or investigation by external bodies such as HM Revenue and Customs, who have statutory rights of access.</li> <li>4. Officers and Members will cooperate fully with auditors and inspectors in the pursuance of their duties.</li> </ol>
<b>E4</b>	<p><b>Preventing Fraud &amp; Corruption</b></p> <ol style="list-style-type: none"> <li>1. The Corporate Director of Resources is responsible for the development and maintenance of an anti-fraud and anti-corruption policy.</li> <li>2. Senior Managers are responsible for designing their systems of controls and putting in place internal controls that adequately manage the risk of fraud and corruption.</li> <li>3. Senior Managers must report all instances of actual or attempted fraud to the Corporate Director of Resources and/or the Head of Audit and Risk Management.</li> </ol>

## **F: Financial Administration**

<b>F1</b>	<p><b>General</b></p> <p>Departments have many systems and procedures relating to the control of the Council's assets, including purchasing, transaction processing and management systems. Departments are reliant on computers for their financial management information. The information must therefore be accurate and the systems and procedures sound and well administered. They should contain controls to ensure that transactions are properly processed, and errors detected promptly.</p> <p>The Corporate Director of Resources has a professional responsibility to ensure that the Council's financial systems are sound and should therefore sign off any new developments or changes.</p> <p><b>Objectives</b></p> <ol style="list-style-type: none"> <li>1. Basic systems and controls are in place to ensure the integrity of data held on computer systems.</li> <li>2. Performance of systems is communicated to the appropriate managers on an accurate, complete and timely basis.</li> <li>3. Systems produce timely reports of management information which is usable by managers.</li> <li>4. Operating systems and procedures are secure.</li> <li>5. Computer systems are co-ordinated with manual procedures and operate efficiently alongside them.</li> </ol>
-----------	---

	<p><b>Responsibilities</b></p> <ol style="list-style-type: none"> <li>1. The Corporate Director of Resources is responsible for the operation of the authority's accounting systems, the form of accounts and the supporting key financial records.</li> <li>2. Any changes made by Senior Managers to the existing financial systems or the establishment of new systems must be approved by the Corporate Director of Resources.</li> <li>3. Senior Managers are responsible for the proper operation of financial processes in their own departments.</li> <li>4. Any changes to agreed procedures by Senior Managers to meet their own specific service needs should be agreed with the Corporate Director of Resources.</li> <li>5. Senior Managers should ensure that their staff receive relevant financial training.</li> <li>6. Senior Managers must ensure that, where appropriate, computer and other systems are registered in accordance with data protection legislation.</li> <li>7. Senior Managers must ensure that staff are aware of their responsibilities under freedom of information legislation.</li> </ol> <p>Further details on the detailed responsibilities of the Corporate Director of Resources and the Senior Managers can be found in the separate Financial Procedures Manual.</p>
<b>F2</b>	<p><b>Income and Expenditure</b></p> <ol style="list-style-type: none"> <li>1. It is the responsibility of Senior Managers to ensure that a proper scheme of financial delegation has been established within their area and is operating effectively. The scheme of financial delegation must be submitted to the Head of Financial Systems and reviewed quarterly at a minimum.</li> <li>2. The scheme of financial delegation must identify staff authorised to act on the Senior Managers' behalf in respect of payments, income collection and placing orders, together with the limits of their authority. The scheme of financial delegation is subject to the approval of the Corporate Director of Resources.</li> <li>3. The Executive is responsible for approving procedures for writing off debts as part of the overall control framework of accountability and control.</li> </ol>
<b>F3</b>	<p><b>Payments to employees and Members</b></p> <ol style="list-style-type: none"> <li>1. The Corporate Director of Resources is responsible for all remuneration payments to all staff, including any payments for severance, and for payment of allowances to Members.</li> <li>2. Senior Managers are responsible for providing information in a timely manner to enable the Corporate Director of Resources to discharge these</li> </ol>

	responsibilities.
<b>F4</b>	<p><b>Taxation</b></p> <ol style="list-style-type: none"> <li>1. The Corporate Director of Resources is responsible for advising Senior Managers, in the light of guidance issued by appropriate bodies and relevant legislation as it applies, on all taxation issues that affect the authority.</li> <li>2. The Corporate Director of Resources is responsible for maintaining the authority's tax records, making all tax payments, receiving tax credits and submitting tax returns by their due date as appropriate.</li> <li>3. Senior Managers are responsible for ensuring that sufficient information is provided in a timely manner to enable the Corporate Director of Resources to discharge the Council's obligations under the tax legislation.</li> </ol>
<b>F5</b>	<p><b>Trading accounts and /business units</b></p> <ol style="list-style-type: none"> <li>1. It is the responsibility of the Corporate Director of Resources to advise on the establishment and operation of trading accounts and business units.</li> </ol>
<b>F6</b>	<p><b>Internal Recharges</b></p> <p>Much of the flow of money across the Council originates from services provided by one department to another. This, in a number of cases, stems from internal trading account services.</p> <p>To facilitate proper controls and the management of the Council's budgets, transactions need to be raised and processed in an efficient and effective manner. This should ensure that purchasers are charged promptly and pay within a commercially acceptable timescale, and that trading services invoice their customers in the knowledge that payment will be received within that stated time-scale. Where practicable these processes will be automated. The budget for core services e.g. admin buildings, payroll and legal will remain with the purchaser and the Corporate Director of Resources will stipulate corporate arrangements for managing these recharges.</p> <p>For ad-hoc and project works the process follows similar principles to the ordering of and payment for goods and services.</p> <p>To ensure that the process is operating in accordance with the framework, regular departmental monitoring of incoming and outgoing recharges needs to be carried out.</p> <p>The Corporate Director of Resources (or his/her delegate) will act as an arbitrator to resolve disputes that cannot be settled between purchaser and provider. This is to ensure that all disputes are resolved within a stated timescale and will not adversely</p>

	<p>affect financial monitoring.</p> <p>It is the responsibility of the purchaser to ensure that they have sufficient resources to pay for commissioned project and ad-hoc work. It is the responsibility of the provider before work commences to advise the purchaser if the work is not covered by the core support service budget and needs specific financing.</p>
<b>F7</b>	<p><b>Banking</b></p> <p>The efficient operation of a bank account is an essential element of the Council's financial arrangements.</p> <p>Bank accounts also represent an area where there is significant scope for fraudulent activity, and it is essential that adequate controls exist.</p> <p><b>Objectives</b></p> <ol style="list-style-type: none"> <li>1. To ensure that only bank accounts authorised by designated officers, are operated by the Council.</li> <li>2. To ensure that only authorised entries are made in the Council's bank account.</li> </ol> <p>Further details on the detailed responsibilities of the Corporate Director of Resources and the Senior Managers can be found in the separate Financial Procedures Manual.</p>
<b>F8</b>	<p><b>Imprest</b></p> <p>The Council operates a number of petty cash imprest accounts to finance minor expenditure.</p> <p><b>Objectives</b></p> <p>To ensure the minimum petty cash balances are held consistent with the effective operation of services.</p> <p>Further details on the detailed responsibilities of the Corporate Director of Resources and the Senior Managers can be found in the separate Financial Procedures Manual.</p>
<b>F9</b>	<p><b>Insurance</b></p> <p>The Council effects insurance for high level risks, where this is economic to do so, in order to protect its taxpayers against the impact on local charges, should a catastrophe occur.</p> <p>It is essential that Directorates advise the Insurance Section of any change to their activities which insurance underwriters might consider could materially affect the</p>

	<p>risk. Failure to do so might invalidate the insurance cover.</p> <p><b>Objectives</b></p> <ol style="list-style-type: none"> <li>1. Procedures are in place to identify, assess, prevent or minimise material known risks, and these procedures are operating effectively throughout the Council.</li> <li>2. Monitoring and regular review of risk reduction strategies.</li> <li>3. Procedures are in place to identify and record all insurance and the property or risk covered.</li> <li>4. Procedures are in place to notify and record the occurrence of any incident or loss that may give rise to a claim by the Council for recovery from insurance companies of the loss.</li> <li>5. Procedures are in place to notify the Insurance Section of any claim against the Council.</li> <li>6. Procedures are in place to investigate claims within required timescales.</li> </ol> <p>Further details on the detailed responsibilities of the Corporate Director of Resources and the Senior Managers can be found in the separate Financial Procedures Manual.</p>
<b>F10</b>	<p><b>Assets</b></p> <ol style="list-style-type: none"> <li>1. Senior Managers shall ensure that records and assets are properly maintained and securely held</li> <li>2. Senior Managers should ensure that contingency plans for the security of assets and continuity of service in the event of disaster or system failure are in place.</li> <li>3. The Corporate Director of Development &amp; Renewal is responsible for ensuring that valuations of the Council's assets are undertaken for management and reporting purposes.</li> </ol>
<b>F11</b>	<p><b>Treasury</b></p> <ol style="list-style-type: none"> <li>1. The authority has adopted CIPFA's Code of Practice for Treasury Management in Local Authorities.</li> <li>2. The Full Council is responsible for approving the treasury management policy statement setting out the matters detailed in paragraph 15 of CIPFA's Code of Practice for Treasury Management in Local Authorities. The policy statement is proposed to the full Council as part of the annual budget setting process.</li> <li>3. The Corporate Director of Resources has delegated responsibility for implementing and monitoring the statement.</li> <li>4. All money in the hands of the authority is controlled by the officer designated for the purposes of section 151 of the Local Government Act</li> </ol>

	<p>1972, referred to in the code as the Director of Finance.</p> <p>5. All executive decisions on borrowing, investment or financing shall be delegated to the Corporate Director of Resources, who is required to act in accordance with CIPFA's Code of Practice for Treasury Management in Local Authorities.</p>
<b>F12</b>	<p><b>Employees</b></p> <p>1. Full Council is responsible for confirming the appointment of the Chief Executive/Head of Paid Service, and has delegated to the Appointments Sub-Committee of the Human Resources Committee responsibility for appointing to the other Chief Officer and Deputy Chief Officer posts. These are the only appointments that elected Members are involved in apart from the 4 group/Mayor's political assistants.</p>
<b>F13</b>	<p><b>External Funding</b></p> <p>External funding can prove an important source of income but funding conditions must be carefully examined before any agreement is entered into to ensure they are compatible with the aims and objectives of Council.</p> <p>The Corporate Director of Resources is responsible for:</p> <ol style="list-style-type: none"> <li>a. Ensuring that any match funding requirements are considered prior to entering into any agreement, that future revenue budgets reflect these requirements, and that any longer term sustainability costs have been properly assessed.</li> <li>b. Ensuring that all external funding is received and properly recorded in the Council's accounts and in the name of the Council.</li> <li>c. Maintaining a central register of external funding/grant arrangements.</li> <li>d. Ensuring that all audit requirements are met.</li> </ol> <p>Senior Managers are responsible for:</p> <ol style="list-style-type: none"> <li>a. Ensuring that the sustainability of funding is assessed for risk, any agreements entered into are consistent with and support the Council's service priorities, and necessary approvals have been obtained.</li> <li>b. All claims for funds are made by the due date.</li> <li>c. Work is progressed in accordance with the project plan and all expenditure is properly incurred and recorded.</li> </ol>
<b>F14</b>	<p><b>Third Party Work</b></p> <p>Work can only be undertaken for third parties where the Council has the legal powers to undertake the work.</p> <p>With regard to the financial aspects of third party contracts, the Council must;</p> <ol style="list-style-type: none"> <li>I. Comply with any guidance issued by the Corporate Director of Resources and will ensure that the appropriate insurance arrangements are made.</li> <li>II. Ensure that all costs arising from the provision of services to a third party are recovered and hence that there is no subsidy included within the contract.</li> <li>III. Ensure that the Council is not unnecessarily exposed to the risk of bad debts.</li> </ol>

	<p>A written agreement must be put in place between the Council and the third party, which details the services to be provided, over what period and at what price; this will be signed by both parties to the agreement in order that the appropriate disclosures can be made within the Council's annual statement of accounts.</p> <p>The Head of Procurement is responsible for monitoring the contractual arrangements for any significant work for third parties or external bodies. For this purpose, significant is deemed to be contracted annual income from a body that is greater than £100,000.</p>
<b>F15</b>	<p><b>Accounting System</b></p> <p>Good systems and procedures are essential to the effective management and administration of the Council's financial affairs. This includes:</p> <p>The main accounting system provides the prime source of financial data for management accounts, statutory accounts and government returns. It is essential that this system complies with legislation and proper accounting practice and that all information is recorded accurately, completely and in a timely manner, and that any errors are detected promptly and rectified.</p> <p>The Corporate Director of Resources is responsible for:</p> <ol style="list-style-type: none"> <li>a. Determining the Council's main accounting system for the preparation of the Council's accounts and for monitoring all income and expenditure.</li> <li>b. Determining any financial systems which may sit outside of the main accounting system, and ensuring, if approved for implementation, that these are sound and properly integrated and interfaced.</li> <li>c. Issuing guidance on the use and maintenance of the main accounting system and related financial systems, and ensuring that supporting records and documents are retained.</li> <li>d. Ensuring that regular balance sheet and holding account reconciliations are undertaken.</li> <li>e. Preparing the Council's consolidated accounts, balance sheet and governance statement for audit and publication, and issuing guidance (including a detailed timetable and plan) to ensure achievement of statutory deadline.</li> </ol> <p>Senior Managers are responsible for:</p> <ol style="list-style-type: none"> <li>a. Ensuring that the main accounting system is used to accurately record financial transactions in accordance with guidance issued by the Executive Director of Finance &amp; Resources.</li> <li>b. Ensuring an adequate audit trail of financial information and compliance with the Council's policies in respect of the retention of documents.</li> <li>c. Ensuring that the implementation of any Unit financial system has the express approval of the Executive Director of Finance &amp; Resources, and is adequately documented, tested and interfaced with the main accounting system.</li> </ol>

<b>F16</b>	<p><b>Amenity and Unofficial Funds</b></p> <p>Relevant to all officers handling official and unofficial funds, including residents' cash and valuables.</p> <p><b>General Principles</b></p> <ol style="list-style-type: none"> <li>1. Cash is always attractive and vulnerable to theft. Cash holdings must be kept to the practical minimum and never in excess of the insurance limit for the particular establishment. The Insurance Section can advise on the limit.</li> <li>2. Risk assessments must be carried out regularly to check if risks have changed and always when procedures or staff have changed.</li> <li>3. Where larger sums of money have to be held, a safe may be essential. For smaller sums, a locked cash box in a locked drawer or cupboard may be acceptable. The Insurance Section can advise on the need for a safe or otherwise.</li> <li>4. Cash must always have a full management trail – cash to be banked must be banked intact and never used to cash personal cheques, provide a petty cash float or for any other purpose.</li> </ol>
------------	---

**G: External Arrangements**

<b>G1</b>	<p><b>Partnerships</b></p> <ol style="list-style-type: none"> <li>1. The Executive is responsible for approving delegations, including frameworks for partnerships.</li> <li>2. The Executive is the focus for forming partnerships with other local public, private, voluntary and community sector organisations to address local needs.</li> <li>3. The Executive may delegate functions – including those relating to partnerships – to officers. Where functions are delegated, the Executive remains accountable for them to the Full Council.</li> <li>4. The Authority may nominate individual Members and or officers to represent the Authority on external bodies.</li> <li>5. The Monitoring Officer is responsible for promoting and maintaining the same high standards of ethics in partnerships that apply throughout the Authority.</li> <li>6. The Corporate Director of Resources will advise on the accounting arrangements to be adopted relating to partnerships and joint ventures. He or she must ensure that the risks have been fully appraised before agreements are entered into with external bodies.</li> <li>7. Senior Managers are responsible for ensuring that appropriate Council approvals are obtained before any negotiations are concluded in relation to work with external bodies.</li> </ol>
-----------	--

<b>G2</b>	<p><b>Companies</b></p> <ol style="list-style-type: none"><li data-bbox="343 264 1340 369">1. In relation to companies that the Council has an interest in, it is imperative that they are set up, managed and run according to rules of good governance so that risks are mitigated.</li><li data-bbox="343 409 1340 477">2. No company can be created without the express approval in writing of the Corporate Director of Resources.</li><li data-bbox="343 517 1340 584">3. The Corporate Director of Resources is responsible for advising the company directors of the accounting arrangements the company must adopt.</li><li data-bbox="343 624 1340 725">4. The Monitoring Officer is responsible for advising on the legal requirements and implications with respect to the creation and ongoing running of a company.</li></ol>
-----------	---

## Section 3 – Scheme of Financial Delegation

### Introduction

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

The purpose of the Scheme of Financial Delegation is to set out the powers, duties and responsibilities delegated to each role level. This schedule sets out the approved financial limits within which the Council's business may be conducted. Changes to limits within this Scheme may only be made with the approval of the Corporate Director of Resources.

### Roles and Responsibilities

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

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

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

### Budget Holders

The default Budget Holder is deemed to be the Corporate Director in the absence of another specific budget holder being formally identified and nominated by the service. Corporate Directors are required to maintain a definitive schedule of all current employees in the directorate with delegated financial powers, which must be reviewed and updated at least quarterly (this may be in the form of a download from the Agresso finance system). Delegated financial authority at all levels is limited to the specific cost centres allocated to each staff member and recorded on the Agresso finance system (and supporting feeder systems).

### Approval Limits

In order to facilitate compliance with the Financial Regulations and Scheme of Financial Delegation, the Council has an authorised signatory process, primarily managed through the Agresso system workflows. All staff within posts deemed to have delegated financial authority are required to complete an authorised signatory form. This sets out the extent of the individual's authority, requires them to confirm the cost centres they have authority against. By signing this form, managers are confirming that they will abide by the rules and regulations set out both within the Financial Regulations and the Scheme of Financial

Delegation. The details are held within the Agresso Financial Ledger system and are used to notify the relevant authorised signatories that transactions need to be approved.

Each role has a limit to the amount they can authorise, with anything above £5m always requiring Chief Executive approval. The designated approval level for each establishment role is by determined by Budget Holder (by default the service director or alternatively a senior manager with appropriate delegated authority in the management hierarchy). All designated approvals for Service Manager and Service head are designated by the Budget Holder in partnership with the Finance Manager/Business Partner for the service. All individual employees with delegated financial powers are subject to the systems administration process for new starters, leavers and role changes.

The table below sets out the current approval limits that are recorded on the Agresso Financial Ledger system, alongside the role/grade definitions:

<b>Amount</b>	<b>Approval Level</b>	<b>Comment/Role</b>
<£1k	Approval Level 1	Designated Appropriate approval level for each establishment role is by determined by Budget Holder
£1k-£5k	Approval Level 2	Designated by Budget Holder
£5k-£25k	Approval Level 3	Designated by Budget Holder
£25k-£50k	Approval Level 4	Designated by Budget Holder
£50k-£250k	Service Manager	Designated in partnership with finance
£250k-£1m	Service Head	Designated in partnership with finance
£1m-£5m	Director	Person in Director Role
>£5m	Chief Exec	Person in Chief Exec Role
	Journal Approval	Finance Manager
	Cost Centre Forecast and Sales Order Approval	Budget Holder

### London Borough of Tower Hamlets – Scheme of Financial Delegation

The following table sets out the core financial delegated powers cross referenced to approval limits and role grades. Specific delegated powers are allocated at the discretion of the relevant Budget Holder (by default the Corporate Director) and must comply with this scheme of financial delegation. However, further sub-delegation of service specific financial activity may be included in the Directorate Delegations section of the Constitution (these must be consistent with the limits set below).

	Description	Limit/value	Financial Authority delegated to
	<b>Managing Budgets</b>		
	Incurring expenditure within approved budget limits	<£1k Approval Level 1 £1k-£5k Approval Level 2 £5k-£25k Approval Level 3 £25k-£50k Approval Level 4	Council staff with roles that include financial approval levels 1-4, as recorded on the Agresso Financial ledger.
		£50k-£250k	Service Manager
		£250k-£1m	Service Head
		£1m-£5m	Director
		>£5m	Chief Exec
	Individual revenue/capital virements	Refer to table D2 of the Financial regulations	Refer to table D2 of the Financial regulations
	<b>Income and Debtors</b>		
	Determining whether income is due (raising an invoice).	<£1k Approval Level 1 £1k-£5k Approval Level 2 £5k-£25k Approval Level 3 £25k-£50k Approval Level 4	Council staff with roles that include financial approval levels 1-4, as recorded on the Agresso Financial ledger.
		£50k-£250k	Service Manager
		£250k-£1m	Service Head
		£1m-£5m	Director
		>£5m	Chief Exec
	Individual Sundry debtor accounts write offs (note this is the sum of debt on an account to be written off not individual invoices).	<£1m	Service Head with written approval from Corporate Director of Resources if <£20k or Corporate Director Governance in addition to Corporate Director of Resources if >£20k.
		>£1m	Director with written approval from Corporate Director of Resources if <£20k or Corporate Director Governance in addition to Corporate Director of Resources if >£20k.
	Individual Council Tax, NNDR, housing benefits overpayments and former client rent arrears	<£1m	Service Head with written approval from Corporate Director of Resources if <£20k or Corporate Director Governance in addition to

	<b>Description</b>	<b>Limit/value</b>	<b>Financial Authority delegated to</b>
	write offs (per account / reference)		Corporate Director of Resources if >£20k.
		>£1m	Director with written approval from Corporate Director of Resources if <£20k or Corporate Director Governance in addition to Corporate Director of Resources if >£20k.
	Individual Housing rent or service charge write offs (per account reference).	<£5k	Service Manager (Housing only).
		£5k-£20k	Service Head or Director with written approval from Corporate Director of Resources.
		>£20k	Director with written approval from Corporate Director Governance in addition to Corporate Director of Resources if >£20k.
	Individual Council Tax and NNDR Refunds (per account / reference).	<£1m	Service Head with written approval from Corporate Director of Resources if <£20k, or Corporate Director Governance in addition to Corporate Director of Resources if >£20k.
		>£1m	Director with written approval from Corporate Director of Resources if <£20k or Corporate Director Governance in addition to Corporate Director of Resources if >£20k.
	Cancellation and reversal of debts raised in error	<£250k	Section Head (Service Manager), providing that a clear documented evidence trail is maintained.
		£250k-£1m	Service Head, providing that a clear documented evidence trail is maintained.
		>£1m	Director, providing that a clear documented evidence trail is maintained.
	Fees and charges - Increases	Any value	Requires minuted decision from Mayor's Executive
	Fees and charges – New charges	Any value	Requires minuted decision from Mayor's Executive
	Signing off bids and applications for funding	Any value	Director

	Description	Limit/value	Financial Authority delegated to
	<b>Purchasing and Procurement</b>		
	Approving placement of individual orders (commitments) with suppliers/contractors	<£1k Approval Level 1 £1k-£5k Approval Level 2 £5k-£25k Approval Level 3 £25k-£50k Approval Level 4	Council staff with roles that include financial approval levels 1-4, as recorded on the Agresso Financial ledger.
		£50k-£250k	Service Manager
		£250k-£1m	Service Head
		£1m-£5m	Director
		>£5m	Chief Exec
	Approving expenditure commitments on capital schemes	<£1k Approval Level 1 £1k-£5k Approval Level 2 £5k-£25k Approval Level 3 £25k-£50k Approval Level 4	Council staff with roles that include financial approval levels 1-4, as recorded on the Agresso Financial ledger.
		£50k-£250k	Service Manager
		£250k-£1m	Service Head
		£1m-£5m	Director
		>£5m	Chief Exec
	Approving additional budget on capital schemes/new capital schemes	<£5m	Director in addition to written authorisation from Director of Resources
		>£5m	Chief Exec
	Authorising payment of invoices	<£1k Approval Level 1 £1k-£5k Approval Level 2 £5k-£25k Approval Level 3 £25k-£50k Approval Level 4	Council staff with roles that include financial approval levels 1-4, as recorded on the Agresso Financial ledger.
		£50k-£250k	Service Manager
		£250k-£1m	Service Head
		£1m-£5m	Director
		>£5m	Chief Exec
	Approving compensatory payments	<£3k	Section Head (Service Manager)
		£3k-£25k	Service Head
		£25k-£5m	Director
		>£5m	Chief Exec
	Corporate credit card transactions (emergency use) or other payment card transactions	<£1k Approval Level 1 £1k-£5k Approval Level 2 £5k-£25k Approval Level 3 £25k-£50k Approval Level 4	Council staff with roles that include financial approval levels 1-4, as recorded on the Agresso Financial ledger.
		£50k-£250k	Service Manager
		£250k-£1m	Service Head
		£1m-£5m	Director
		>£5m	Chief Exec
	Cash payments (exceptional use)	Up to £500	Service Head in addition to authorisation from Director of Resources
	CHAPS Payments	Any value	Director of Resources

	<b>Description</b>	<b>Limit/value</b>	<b>Financial Authority delegated to</b>
	Emergency expenditure	<£5m	Director of Resources
		>£5m	Chief Exec
			Service Head in addition to authorisation from Director of Resources
	Procurement of supplier contracts: <ul style="list-style-type: none"> <li>• Seeking tenders and quotations</li> <li>• Awarding contracts</li> <li>• Placing orders</li> <li>• Authorising variations</li> <li>• Terminating contracts</li> </ul>	<£1m	Service Head – subject to procurement procedures
		>£1m	Director – subject to procurement procedures
	<b>Payroll/ Remuneration</b>		
	Authorising payroll submissions (including authority to include a new employee on the payroll)	Any value	Director and Service Head
	Authorising payroll corrections	Any value	Director and Service Head
	<b>Treasury Management</b>		
	Expenditure and investment relating to treasury management and investments	Refer to Treasury Management Strategy Statement and Treasury Management Scheme of Delegation.	Refer to Treasury Management Strategy Statement and Treasury Management Scheme of Delegation.
	Expenditure and investment relating to the operating of contracts for the pension fund	Any value	Delegated to Pension Fund Managers in line with the London Borough of Tower Hamlets Pension Fund Investment Strategy.
	Transfers between, withdrawals from or additions to Pension Managers Funds	Any value	Director of Resources
	<b>Asset management</b>		
	Writing off deficiencies in stocks, stores and inventories	Any value	Director of Resources
	Acquisitions and Disposals of land at full market value. <i>(including leases or</i>	<£250k	Service Head (Place only) and Director.  <i>Subject to reference to Mayor's Executive by the Director of Place</i>

	<b>Description</b>	<b>Limit/value</b>	<b>Financial Authority delegated to</b>
	<i>easements where the annual rent multiplied by the length of the lease does not exceed that figure assuming that the rent is not increased on review).</i>		<i>or land in the nature of open space if there is significant public interest in the preservation of the same.</i>
	Acquisitions and Disposals of land at full market value.	>£250k	Director of Resources with reference to Mayor's Executive
	Acquisition and Disposals of land at below market value.  <i>where in respect of a purchase the value of the consideration does not exceed the limit or in respect of a sale the value of the consideration and the undervalue foregone do not together exceed the limit.</i>  <i>Where a sale is pursuant to Section 123 Local Government Act 1972, Section 32 Housing Act 1985 or Section 25 Local Government Act 1988, consent to the Secretary of State may be sought as necessary.</i>	<£250k	Head of Service (Place only) or Director  <i>Subject to reference to Mayor's Executive by the Director of areas of open space or land in the nature of open space if there is significant public interest in the preservation of the same.</i>
	Acquisition and Disposals of land at below market value.	>£250k	Director of Resources with reference to Mayor's Executive
	Compulsory Disposals of land.  <i>Any sale or lease of land pursuant to the Right to Buy or the Right of Enfranchisement under the Housing Act 1985, the Leasehold Reform Act</i>		Head of Service (Place only) or Director

	<b>Description</b>	<b>Limit/value</b>	<b>Financial Authority delegated to</b>
	<i>1967 or The Leasehold Reform Housing and Urban Development Act 1993 subject to compliance with the statutory procedures.</i>		
		>£250k	Chief Executive and Director of Resources with reference to Mayor's Executive
	Acquisition or Disposal of property and other assets	<£250k	Service Head (Place only) in consultation with Director.
		£250k-£5m	Director with written approval from Corporate Director of Resources - Subject to guidance in the Financial Procedures Manual.
		>£5m	Chief Executive - Subject to guidance in the Financial Procedures Manual.
	Purchase, surrender, renewal, variation and re-gearing of property or other leases	<£250k	Service Head (Place only) with written approval from Corporate Director of Resources – Subject to guidance in the Financial Procedures Manual.
		£250k-£5m	Director with written approval from Corporate Director of Resources - Subject to guidance in the Financial Procedures Manual.
		>£5m	Chief Executive - Subject to guidance in the Financial Procedures Manual.

## Appendix A

### Other Financial Guidelines Documents

<b>Guidelines:</b>	<b>Available From:</b>
<b>Financial Procedures Manual</b>	Chief Accountant's Team
<b>Budget Practitioners' Guide</b>	Corporate Finance Team
<b>Medium Term Financial Plan</b>	Corporate Finance Team
<b>Budget Setting Timetable</b>	Corporate Finance Team
<b>Closure of Accounts Guidance</b>	Chief Accountant's Team
<b>CIPFA Code of Practice on Local Authority Accounting</b>	Chief Accountant's Team
<b>CIPFA Code of Practice on Financial Management (Consultation draft)</b>	Chief Accountant's Team
<b>Value Added Tax (VAT) Manual</b>	Chief Accountant's Team
<b>Procurement Procedures</b>	Procurement Team
<b>Asset Management Plan</b>	Capital Finance Team
<b>Council Constitution</b>	Governance Services
<b>Hospitality Procedure</b>	HR Services

## Appendix B - Glossary and Abbreviations

Term	Definition
<b>ACOP</b>	Accounting Code of Practice published by the Chartered Institute of Public Finance setting out the policies and practices to be adopted in the operation of the Council's accounts.
<b>Accrual</b>	Accounting procedure to charge expenditure to the year it relates to rather than the year it is paid. Correspondingly it enables income to be credited to the year income is earned rather than when the cash is received.
<b>Asset Management Plan (AMP)</b>	Document detailing the strategy for the Council's property portfolio.
<b>Balances</b>	Sums available for consideration for carry forward from one financial year to the next.
<b>Balance Sheet Codes</b>	Cost centres used for expenditure and income not directly chargeable to revenue or capital. Contain all balances available for carry forward at year-end.
<b>Approved Budget</b>	The Council's spending plans for a financial year. The revenue budget, when approved by full Council and after deduction of Revenue Support Grant and Business Rates, determines the Council Tax for the year. The capital budget represents the approved amount of capital expenditure for a year. Budget can refer to the total budget or to a service or part of a service.
<b>Budgetary Control</b>	Comparison of actual expenditure and income against approved budgets during the year and the taking of action to resolve any variations, which arise.
<b>Budget Head</b>	The lowest level of expenditure or income at which budgets are monitored. Generally this will be a line in the budget book although for departmental purposes these budgets will be broken down on the financial accounting system (Agresso) and monitoring undertaken at this lower level.
<b>Capital Charges</b>	Charges in respect of depreciation and interest made to revenue accounts in respect of their utilisation of assets.
<b>Capital Expenditure</b>	The acquisition and/or construction of a fixed asset that increases the value or extends the useful life of the asset as defined in IAS16, Property, Plant and Equipment.
<b>Capital Programme</b>	A document that sets out the Council's capital expenditure plans for the current year and subsequent two years.

<b>Capital Receipts</b>	The net proceeds arising from the sale of land, buildings and other fixed assets.
<b>Capital Resources</b>	Amounts available to finance capital expenditure. Includes borrowing, capital receipts, capital grants and revenue.
<b>Cash Limit</b>	Budget set at a fixed level with no scope for subsequent increases to compensate for price or volume increases.
<b>Charges</b>	Income raised from the users of services (external or internal). These may be statutory (set by government) or discretionary (set by the Council).
<b>CLT (Corporate Leadership Team)</b>	Group comprising all Corporate Directors, which determines authority-wide policies and practices, discusses corporate issues and makes recommendations to Members where appropriate.
<b>Code of Practice</b>	The Code of Practice on Local Authority Accounting in the UK. This outlines the accounting regulatory framework for Councils. The "Code" replaced the Statement of Recommended Practice for Local Authority Accounting (SORP).
<b>Commitment</b>	Agreement to incur expenditure.
<b>Contingency</b>	Sum set aside within an approved budget but not assigned for a specific purpose.
<b>Contingent Liability</b>	Defined in IAS37 "Provisions, Contingent Liabilities and Contingent Assets" as: "a possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the control of the entity."
<b>Deferred Charge</b>	Capital expenditure which does not increase the stock of assets available to the Council.
<b>De Minimis</b>	A level specified by the Council below which normal accounting procedures do not apply.
<b>MHCLG</b>	The Ministry of Housing, Communities and Local Government
<b>DMT (Departmental Management Team)</b>	Corporate Directors and Service Heads within Directorates.
<b>Estimate</b>	Projected expenditure or income.
<b>Income</b>	Revenue income received by the Council.
<b>Original Estimate</b>	Budget approved at the time of fixing the Council Tax each year.
<b>Overspending</b>	The amount of actual expenditure at the end of a year or contract which is greater than the approved budget or actual income which is less than the approved budget.

<b>Performance Plan</b>	Document which establishes and explains overall priorities and objectives, current performance, and proposals for further improvement.
<b>Provision</b>	According to IAS37, "Provisions, Contingent Liabilities and Contingent Assets", a <i>provision</i> is a liability that is of uncertain timing or amount, to be settled by the transfer of economic benefits.
<b>Reserves</b>	Amounts set aside for specific purposes to meet future expenditure which do not qualify as Provisions.
<b>Revenue Budget</b>	Approved amount of revenue expenditure or income.
<b>Revenue Expenditure</b>	Expenditure met from the Revenue Account. This will include capital charges and any capital expenditure not met from capital resources.
<b>Revised Estimate</b>	The approved amendment of an Original Estimate during the financial year.
<b>Scheme of Delegation</b>	The matters that Council Members determine can be undertaken by officers.
<b>Service</b>	A separate function undertaken by the Council. Normally the first summary level in the Budget Book.
<b>Slippage</b>	Expenditure on a capital scheme delayed from one financial year into the next but which does not affect the total cost of the scheme.
<b>SORP</b>	Statements of Recommended Practice (SORPs) are recommendations on accounting practices for specialised industries or sectors. They supplement accounting standards and other legal and regulatory requirements in the light of the special factors prevailing or transactions undertaken in a particular industry or sector. The SORP for Local Authorities is produced by the Chartered Institute for Public Finance and Accountancy (CIPFA), and agreed with the Accounting Standards Board (ASB).
<b>Supplementary Estimate</b>	Approved addition to a previously agreed budget.
<b>Target Adjustment</b>	Target adjustments are a form of virement that involve transferring budgets between Directorates, or between a Directorate budget and a Corporate budget.
<b>Underspending</b>	The amount of actual expenditure at the end of a year or contract which is less than the approved budget or actual income which is above the approved budget. This represents amounts that will not be incurred or received and should be distinguished from Slippage (see above).
<b>Virement</b>	The approved transfer of budget from one head of account to another.

This page is intentionally left blank

## CONTRACTS AND PROCUREMENT PROCEDURE RULES

### CONTENTS

Rule	Subject
1	Procurement Procedures
Appendix	
A	Procurement Procedures

#### 1. PROCUREMENT PROCEDURES

- 1.1. Every contract or official order for works, goods or services made by the Council shall be for the purpose of achieving the Council's statutory or approved objectives and shall conform to all relevant EU Directives and United Kingdom legislation.
- 1.2. The **Procurement Procedures** shall govern the Council's tendering and contract procedures. The Corporate Director, Resources shall maintain and issue these Procedures. Any procurement activity shall proceed in accordance with the Procedures and any financial thresholds for procurement specified by the Procedures. These Procedures and any updated or amended versions will then be placed in Appendix A of these Rules.
- 1.3. The Corporate Director, Resources shall make the latest version of the **Procurement Procedures** available to every Chief Officer, the Mayor and all Members of the Council and any other person engaged in procuring works, goods or services on behalf of the Council. Chief Officers or officers acting on their behalf shall apply the requirements of the Procedures when engaging in any procurement activity.
- 1.4. The purpose of procurement activity shall be to achieve best value for local people in accordance with the Council's statutory or approved objectives. Officers with responsibility for procurement shall ensure that they are able to demonstrate achievement of best value by having regard to a combination of economy, efficiency and effectiveness (otherwise known as the Council's Best Value Duty).
- 1.5. Nothing in the **Procurement Procedures** shall be construed as removing or diminishing the responsibility of all involved to meet individual and collective accountabilities. Any failure by an officer to comply with the Procurement Procedures is likely to constitute a disciplinary offence and be investigated under the appropriate disciplinary procedure.

- 1.6.** Chief Officers shall ensure that the Executive or an Executive Member is consulted on any procurement activity of a controversial nature. If however the decision is a 'key' decision that has not been delegated then a report must be submitted to Cabinet for determination having proper regard to the Access to Information Rules at Part 4.2 of the Constitution.
- 1.7.** The contracting strategy and/or award of any contract for goods or services with an estimated value exceeding £250,000, and any contract for capital works with an estimated value exceeding £5,000,000, shall be approved by the Executive in accordance with the Procurement Procedures. Contracts for goods or services with an estimated value of less than £250,000 and contracts for capital works with an estimated value of less than £5,000,000 shall be approved by the relevant Chief Officer, in accordance with the Procurement Procedures. If however the decision is a 'key' decision that has not been delegated then a report must be submitted to Cabinet for determination having proper regard to the Access to Information Rules at Part 4.2 of the Constitution.

**Procurement Procedures**

**The purpose of these Procedures is to lay down a set of rules which provide a framework for all those involved in procuring supplies, works and services on behalf of the Council, or interacting with providers, or potential providers.**

**They apply to all representatives of the Council, Officers, Agents, or Members.**

**Failure to comply with these Procurement Procedures may put the Council at risk, and can lead to disciplinary action against the person responsible.**

## Table of Contents

---

### **PART 1 – INTRODUCTION**

#### **1. INTRODUCTION**

### **PART 2 - APPLICABLE TO ALL CONTRACTS**

#### **2. HIERARCHY OF RULES**

#### **3. PROCUREMENT OBJECTIVES AND IMPERATIVES**

#### **4. PROCUREMENT STRATEGY**

#### **5. RESPONSIBILITIES OF CORPORATE DIRECTORS**

#### **6. FINANCIAL THRESHOLDS AND PROCEDURE FOR CONTRACT LETTING**

### **TABLE 1 - SUMMARY OF PROCUREMENT THRESHOLDS**

#### **7. SPECIFICATIONS**

#### **8. E-PROCUREMENT**

#### **9. LATE BIDS**

#### **10. CONFLICT OF INTEREST**

#### **11. SUPPLIER REGISTRATION AND APPROVAL**

#### **12. OFFICIAL PURCHASE ORDERS**

#### **13. ICT RELATED SUPPLIES, SERVICES AND WORKS**

#### **14. CONSORTIA AND COLLABORATIVE FRAMEWORK AGREEMENTS**

#### **15. USE OF STANDARD TEMPLATES**

#### **16. SEPARATION OF DUTIES**

#### **17. LOCAL BUSINESSES**

#### **18. SUPPLY CHAIN ETHICAL CODE OF CONDUCT**

#### **19. THE BRIBERY ACT**

#### **20. SUSTAINABLE PROCUREMENT**

#### **21. FREEDOM OF INFORMATION ACT**

#### **22. CONTRACT REGISTER**

#### **23. CONTRACT MANAGEMENT**

#### **24. EXTENSIONS AND VARIATIONS**

### **PART 3 - APPLICABLE TO CONTRACTS BELOW £100,000**

#### **25. COMPETITION**

#### **26. EVALUATION AND CONTACT AWARD**

#### **27. CLARIFICATION AND ADDITIONAL INFORMATION**

#### **28. TIMESCALES FOR QUOTATIONS**

#### **29. TERMS AND CONDITIONS**

#### **30. USE OF PURCHASING CARDS**

### **PART 4 - APPLICABLE TO CONTRACTS IN EXCESS OF £100,000**

#### **31. COMPETITION**

#### **32. FORWARD PLAN**

#### **33. PROJECT INITIATION FORM**

#### **34. CABINET APPROVAL – AUTOMATIC REFERRAL**

#### **35. CABINET APPROVAL – REFERRAL BY HEAD OF CORPORATE PROCUREMENT**

#### **36. TOLLGATE PROCESS**

#### **37. ENGAGEMENT WITH THE STRATEGIC COMPETITION BOARD**

#### **38. TIMESCALES**

#### **39. TENDER DOCUMENTATION**

#### **40. TERMS AND CONDITIONS**

#### **41. TENDER CLARIFICATION AND ADDITIONAL INFORMATION**

#### **42. NEGOTIATIONS**

- 43. TENDER EVALUATION**
- 44. SUPPLIER SELECTION CRITERIA**
- 45. SUPPLIER AWARD CRITERIA**
- 46. TENDER REPORT**
- 47. DEBRIEFING**
- 48. CONTRACT AWARD**
- PART 5 – EXCEPTIONS TO THE PROCUREMENT PROCEDURES**
- 49. VALID EXCEPTIONS TO THE PROCUREMENT PROCEDURES**
- 50. RECORD OF CORPORATE DIRECTOR’S ACTIONS (RCDA) - WAIVING OF  
PROCUREMENT PROCEDURES**
- APPENDIX 1: TOLLGATE PROCESS**

## PART 1 – INTRODUCTION

### 1. Introduction

- 1.1 The purpose of these Procedures is to lay down a set of rules which provide a framework for representatives procuring supplies, works and services on behalf of the Council. For ease of use, the specific rules are set out in shaded boxes throughout the Procedures. The Procedures are supplemented by an RFQ (Request for Quotation) toolkit for expenditure with a total value up to £100,000 and a more detailed contracting Tender Toolkit for expenditure above £100,000. These toolkits provide guidance on techniques to achieve best value for money, and a series of templates to be used throughout the procurement process.
- 1.2 Where a corporate contract is in place it **must** be used unless otherwise agreed by Corporate Procurement.
- 1.3 All Council representatives are warned that it is a **disciplinary offence** to fail to comply with these Procurement Procedures when letting contracts. All Council representatives have a duty to report breaches of the Procedures to the relevant Corporate Director and the Head of Corporate Procurement. The Procedures apply to all expenditure by the Council on supplies, services and works, provided by external organisations.
- 1.4 The Procedures include mandatory requirements, which are normally identified by the word “**must**” in bold letters. These requirements **must** always be followed. The words “**should**” and “**should not**” relate to good practice advice. Whilst not mandatory, you **must** have a good reason for not following the good practice advice and this **must** be recorded on your tender or quotation file. If in doubt, you **must** contact Corporate Procurement and/or Legal Services for advice, and where appropriate, Internal Audit.
- 1.5 The generic term **Bid** covers both tenders and quotations. A bid process below a total value of £100,000 will be classed as a quotation. A bid process at or above a total value of £100,001 will be classed as a tender.
- 1.6 All representatives who commission contracts for supplies, works or services are required to follow these Procedures. This requirement also covers all persons who commission contracts on behalf of the Council, such as external consultants. The person who commissioned the consultant **must** ensure that consultants are given copies of the Procedures and that they comply with them.
- 1.7 The Head of Corporate Procurement will be responsible for updating the Procurement Procedures, and shall make the latest version available to every Corporate Director and Member of the Council as well as posting a copy in the Corporate Procurement area on the Council intranet.
- 1.8 All representatives of the Council must comply with all aspects of legislative requirements relating to purchases made by a public authority.

**2. Hierarchy of Rules**

- 2.1. These Procedures attempt to summarise in a single place all of the Council's Procurement Procedures. The Procedures are derived from provisions contained in the Council's Constitution and Financial Regulations. Every effort has been made to ensure a consistency between the documents, but in the event of any conflict, the Constitution takes precedence, followed by Financial Regulations, followed by these Procedures. These Procedures and Financial Regulations can be amended by the Corporate Director of Resources, whilst changes to the Constitution must be approved by the full Council.
- 2.2. The Procedures refer to European and UK legislation as well as Council policy. Where there is a conflict between European law, English law and Council policy, the requirements of European law take precedence over English law, and the requirements of English law take precedence over Council policy. The Procedures **must not** be waived if failing to comply with these procedures would contravene either UK or European legislation.

**3. Procurement Objectives and Imperatives**

The purpose of procurement activity is to achieve best value for local people in accordance with the Council's statutory or approved objectives and the Corporate Procurement Strategy. This should include an innovative approach to relationships with the private and not-for-profit sectors within a robust contractual framework. Officers with responsibility for procurement must ensure that they are able to demonstrate achievement of best value by having regard to a combination of economy, efficiency and effectiveness.

**4. Procurement Strategy**

- 4.1. The Procurement Strategy sets out key policy priorities and an operating framework that **must** be taken into account when procuring supplies, services and works on behalf of the Council. These priorities are:

- **Integration** - full integration of commissioning, procurement and contract management activity and commercial principles into our core business
- **Governance** - governance, transparency, accountability and probity with proportionality in our operational processes
- **Approach** – a unified approach to managing the activities in the commercial cycle and in our engagement with markets and suppliers
- **Partnership** - working with our partners
- **Technology** - effective use of digital technology

- **People** - making the most of our people, increasing capacity and skills and building an in-house strategic commissioning and procurement capability.

4.2. Every contract or official order for works, supplies or services made by the Council **must** be for the purpose of achieving the Council's statutory or approved objectives and must conform to all relevant domestic and European Union legislation.

## 5. Responsibilities of Corporate Directors

5.1. Corporate Directors have responsibility for all contracts tendered, let and managed by their departments. They are accountable to the Chief Executive and the Executive Mayor for the performance of their duties in relation to contract letting and management. These duties include:

- a. Ensuring compliance with English and EU legislation and Council Policy;
- b. Ensuring value for money in all procurement activities;
- c. Ensuring compliance with these Procurement Procedures;
- d. Ensuring that all relevant staff are familiar with the provisions of these Procedures and that they receive adequate training;
- e. Ensuring compliance with any guidelines issued in respect of these Procurement Procedures;
- f. Taking immediate action in the event of a breach of Procurement Procedures within their department;
- g. Ensuring that IR35 regulations requirements are complied with when engaging suppliers;
- h. Keeping records of waivers of any provisions within these Procurement Procedures;
- i. Ensuring appropriate contract management takes place of all contracts;
- j. Ensuring that all contracts to be tendered are entered onto the Forward Plan of contracts (administered by Corporate Procurement) at the earliest opportunity, and no later than the point at which the procurement exercise commences;
- k. Ensuring high value and/or high risk contracts are recorded in the corporate risk register;
- l. Ensuring that their staff act ethically in all their procurement activities;
- m. Ensuring that a quarterly report of variations exceeding 10% of the contract value, where the total contract value exceeds the EU threshold, is presented to their own Directorate Management Team.

5.2. Corporate Directors **must** comply with these rules and have a responsibility to ensure that their staff and any consultants or agency staff also comply with them. Corporate Directors **must** put mechanisms in place to ensure that staff who carry out any procurement exercise receive appropriate induction, information and training. Corporate Procurement will provide support for this.

### **Rule 1**

- Where a Corporate Contract is already in place it **must** be used unless agreed otherwise by the Head of Corporate Procurement.
- Corporate Directors have responsibility for all contracts let by their Departments. Authority to make decisions under the Procurement Procedures may be delegated. Those who have delegated authority to make decisions in the name of the Corporate Director will be set out in the Scheme of Delegation in the Constitution for the relevant department (or a specific delegation in writing).

## **6. Financial Thresholds and Procedure for Contract Letting**

6.1 The following financial thresholds shall apply to all contract award processes.

To clarify the table below, the following points should be noted:

- a) Total Value refers to the full remuneration to be paid to the supplier or contractor over the life of the contract, including any extensions; *(N.B. a 3 year contract with an extension of 1 year at £20,000 per annum has a total value £80,000. A contract to purchase supplies, works or services may also include the purchase of additional supplies and services such as, but not limited to, maintenance, consumables, upgrades, training and documentation. The total value includes these elements even if they come from separate budgets, and separate orders are placed.)* The life of the contract includes any actual or potential extension to the contract period that is included in the contract
- b) Where there are a number of linked contracts – e.g. those using the same suppliers, or for similar supplies, services or works – the option for joining them up **should** be explored;

### 6.2 Table of Threshold Values

Table 1 below summarises the different procurement thresholds, the procedures to be followed and the officers who are authorised to undertake an RFQ or procurement at each level. The authority to award contracts, following a RFQ or procurement process, is set out at paragraph 10.2 of Part 3 of the Constitution.

**TABLE 1 - SUMMARY OF PROCUREMENT THRESHOLDS**

	Total Value	Procurement Process	Advertising	Authority
<b>LEVEL 1</b>	<b>Up to £25,000</b>	<ul style="list-style-type: none"> <li>▪ One quotation, through Request for Quote (RFQ) system</li> <li>▪ Should use local suppliers (E1, E2, E3, &amp; E14). If a good reason exists for not using local suppliers this should be documented and kept on file.</li> <li>▪ Price only or Price and quality</li> </ul>	None required	Budget Holder
<b>LEVEL 2</b>	<b>£25,001 to £50,000</b>	<ul style="list-style-type: none"> <li>▪ Two quotation, through Request for Quote (RFQ) system</li> <li>▪ Should use local suppliers (E1, E2, E3 &amp; E14) If a good reason exists for not using local suppliers this should be documented and kept on file.</li> <li>▪ Price only or Price and quality</li> </ul>	None required	Budget Holder
<b>LEVEL 3</b>	<b>£50,001 to £100,000</b>	<ul style="list-style-type: none"> <li>▪ Three quotations, through Request for Quote (RFQ) system.</li> <li>▪ Should use local suppliers (E1, E2, E3 &amp; E14) If a good reason exist for not using local suppliers this should be documented and kept on file.</li> <li>▪ Price and quality only</li> </ul>	None required	Budget Holder
<b>LEVEL 4</b>	<p><b>£100,001 to £164,176</b> (EU threshold for Supplies &amp; Services)</p> <p><b>£100,001 to £589,148</b> (EU threshold for Light Touch Regime: social and other specific services)</p> <p><b>£100,001 to £4,322,012</b> (EU threshold For Works)</p>	<ul style="list-style-type: none"> <li>▪ PIF <b>must</b> be completed</li> <li>▪ Award criteria to be decided in advance.</li> <li>▪ Tender process managed by corporate procurement service through the central e-tendering system</li> <li>▪ Cabinet approval &amp; Tollgate process to be followed for contracts above £250,000 – Supplies and Services; above £5million –Works.</li> </ul>	Council’s website, London Tenders Portal Contracts Finder	Divisional Director

<p><b>LEVEL 5</b></p> <p>EU Procedure</p>	<p><u>EU TENDERS</u></p> <p><b>Over £164,176</b> Supplies &amp; Services</p> <p><b>£589,148</b> Light Touch Regime</p> <p><b>£4,322,012</b> Works</p>	<ul style="list-style-type: none"> <li>▪ PIF <b>must</b> be completed</li> <li>▪ Cabinet approval &amp; Tollgate process to be followed for contracts above £250,000 – Supplies and Services; above £5million –Works.</li> <li>▪ Tender process to follow the requirements of the EU &amp; Public Contracts Regulations 2015</li> <li>▪ Tender process managed by corporate procurement service through the central e-tendering system</li> </ul>	<p>OJEU Council’s website,  London Tenders Portal</p>	<p>Divisional Director or Corporate Director (above cabinet threshold)</p>
---	---	---	---	--

## 7. Specifications

- 7.1. An appropriate specification must be prepared which sets out a clear and comprehensive description of the Council's requirements with regard to the works, goods or services to be supplied.
- 7.2. All works, goods and services must be specified by reference to European standards, or national standards if no European standards are set. Named products or manufacturers should not be specified.
- 7.3. The specification should incorporate measurable and, so far as is possible, objective quality and performance criteria to enable the service director to see whether the Council's requirements are being met by the supplier. All necessary professional and technical advice and assistance must be obtained in preparing the specification, to ensure a comprehensive document that expresses the Council's requirements and protects its interests.
- 7.4. Officers must take careful consideration of the requirements; in doing so they may undertake research, discussions or briefings with several suppliers before the quotation or tender is issued. Any engagement with supplier must be undertaken in a manner that does not restrict competition or prejudice a fair and transparent procurement process.
- 7.5. In the interests of fairness, non-discrimination and equality of treatment, under no circumstances should an incumbent supplier or contractor be involved in the preparation of a specification for the future procurement of the same or similar contract which they are delivering, or which they would reasonably have an interest in bidding for.

## 8. E-Procurement

- 8.1. The Council uses secure e-procurement systems and, unless exceptional circumstances apply and a Waiver is granted, all quotations and tenders **must** be managed electronically through this system.
- 8.2. The Head of Corporate Procurement must make arrangements for the receipt, custody, opening and witnessing of all tenders over £100,000, and must ensure that these arrangements are fully auditable.
- 8.3. The administration and development of the e-procurement system is the responsibility of Corporate Procurement including any enhancements to reflect legislative and policy changes within public procurement.

### **Rule 2**

- All quotation and tenders **must** be managed electronically through the e-

procurement system(s) whose administration and development is the responsibility of Procurement.

- Once a contract has been awarded a purchase order **must** be raised in R2P unless supplies, services or works fall within the approved exceptions list.

## 9. Late Bids

9.1. Late quotations through the RFQ system are not be accepted by the system.

9.2. Electronic tenders are automatically marked as “Late” by the e-tender system. In any event they must not be considered if they arrive after all the other bids have been opened, unless exceptional circumstances apply and the Head of Corporate Procurement (following consultation with the Divisional Director of Legal Services) agrees to accept the late tender. Any unacceptable late bid must not be opened unless it is purely to determine the sender’s details so that the bidder can be advised of the reason for rejection by the Corporate Director or the Head of Corporate Procurement

## 10. Conflict of Interest

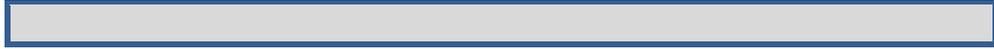
10.1. All members of staff must avoid any conflict between their own interests and the interests of the Council. This is a requirement of the Council's Employee Code of Conduct, which all employees of the Council are bound by.

10.2. All consultants engaged to act on behalf of the Council must sign a Consultant’s Undertaking and declare that :

- a. There is no conflict between their own interests or those of any of their other clients and the interests of the Council; and
- b. There is no conflict between their own interests or any links with (e.g. a family member or close friend works for) an organisation or supplier who is tendering or quoting for a contract with the Council or already has a contract with the Council.
- c. They will notify the appropriate director and Corporate Procurement if any conflict of interest arises within the bidding process.

### **Rule 3**

- Conflict of interest in a procurement exercise and subsequent contractual arrangement must be promptly disclosed through the HR Self Service system or, in the case of external consultants, through the completion of a Declaration of Interest document from corporate procurement.



## 11. Supplier registration and approval

11.1. New supplier registration and approval is managed through the council's procurement system. Supplier approval process is carried out in two stages:

- a) **Stage one - registration:** suppliers wanting to trade with council are required to complete the basic online supplier registration.
- b) **Stage two – approval:** To receive Purchase Orders and payments, a supplier will need to be fully adopted, that is, registered in the Finance system (Agresso) and made visible in the requisition to pay system (R2P). Procurement will issue the supplier adoption form through the electronic procurement portal and verify key registration information provided before the supplier can be approved.

11.2. Officers engaging with any organisation where the contract of engagement **may** fall within the scope of IR35 regulations, that is, individual(s) that will be providing the services under the contract could be considered 'disguised employees' **must** undertake the HMRC employee's status assessment (IR35 assessment) before engaging in or awarding a contract. Guidance and process map on how to undertake the assessment will be on the Council's intranet. Failure to undertake the assessment and follow the agreed process may lead to disciplinary procedure.

## 12. Official Purchase Orders

12.1. Once a contract has been awarded an official purchase order **must** be placed through the Purchase to Pay (R2P) system quoting the contract reference.

12.2. Contracts should only commence once an official purchase order has been issued. Purchase orders can only be issued to suppliers that have gone through the supplier adoption process.

12.3. There are **exceptional** exclusions to this process and information on these will be available within the Corporate Procurement area of the Council's intranet. The exclusions list is a live document and it will be reviewed by Financial Compliance and Procurement when required. Cases which do not fall within the exclusions listed will be **rejected**.

## 13. ICT related supplies, services and works

In the case of procurement of ICT related supplies and services, the Corporate ICT partner may need to be engaged and officers **must** consult with the ICT Client Team and/or their ICT Business Partner.

## 14. Consortia and collaborative Framework Agreements

14.1. Recognised consortium or collaborative procurement arrangements which have been properly tendered may be used, provided that the relevant Corporate Director:

- is satisfied that such an approach represents best value;
- is satisfied – having due regard to advice from Corporate Procurement and Legal Services as appropriate – that use of the arrangements are consistent with all UK and European legislation;
- is satisfied that the terms and conditions of the arrangement do not place undue restrictions or liabilities upon the Council;
- is satisfied that the parties to the arrangement are recognised public bodies or providers from the private sector operating appropriate procurement arrangements on behalf of the public sector;
- ensures that a full, open and proper competition in respect of the creation of the contract has taken place or will take place in accordance with the Relevant UK and European legislation and these Procurement Procedures.

14.2. A list of approved Frameworks Agreements will be managed by Corporate Procurement and published on the Council's intranet.

14.3. Where the relevant Corporate Director so decides, the Central Government Catalogues operated by the Crown Commercial Services at <http://ccs.cabinetoffice.gov.uk/> or any other appropriate framework may be used on the condition that the process set out in these Procedures are followed.

14.4. The award of call off contracts must comply with the procedure set out within the Framework Agreement. This can be either by Direct Award or Mini-competition. Where there is a choice of options, preference should be given to carrying out a mini-competition in order to demonstrate value for money. Where price is not set out in the framework agreement, a mini-competition must always be undertaken.

14.5. Legal Services and Corporate Procurement must be involved before joining or buying from a framework agreement not let by the Council where the value of the contract will exceed the £100,000 procurement threshold. The process in Part 4 of these Procedures will be applicable to the procurement exercise.

## 15. Use of Standard Templates

15.1. All quotations **must** be invited using the approved templates published on the Council's intranet. Procurement documentation for the selection, invitation, receipt, evaluation, award and management of contracts are regularly updated to ensure compliance with procurement regulations as well as Council procurement policies.

15.2. All tenders **must** be invited using approved standard documentation available from Corporate Procurement.

## 16. Separation of Duties

Within each Directorate, arrangements **should** be made to ensure that there is adequate separation of duties and checking procedures to ensure probity and compliance with these procedures and financial regulations.

## 17. Local Businesses

To be classified as local, a supplier must be based in one of the following post codes:

- E1, E2, E3 and E14

Certain postcodes in E15, E16 and EC are also part of the geographical limits of Tower Hamlets.

## 18. Supply Chain Ethical Code of Conduct

18.1. The Council has adopted a Supply Chain Ethical Code of Conduct which must be included in all quotation and tender documentation, and with which all suppliers must comply. The full details of this Code are available on the Procurement intranet site, but in summary, the code set out the principles and standards of delivery for our suppliers and contractors:

- Maintaining integrity in business relationships.
- Rejecting improper business practice.
- Declaring any potential personal or business conflicts of interest.
- Acquiring and maintaining latest standards of technical knowledge and ethical behavior.
- Optimising the use of resources.
- Compliance with UK law, industry guidelines and contractual obligations.
- Fair, honest and respectable treatment of suppliers.
- Common courtesy at all times.
- Incorporating sustainable procurement aspects into procurement processes including human and employee rights and the environment.

18.2. Whilst it will not be possible to check that every single supplier to the Council complies with the Code, officers should draw suppliers' attention to the Code. Subscription to the code will be mandatory for those suppliers participating in a quotation or tender process.

## **Rule 5**

- The Council is committed to maintaining the highest standards of ethical conduct. The Supply Chain Ethical Code of Conduct is essential to the operation and reputation of the Council. Suppliers are required to sign acceptance of the code when dealing with the Council.
- Quotations and tenders **must** be undertaken using approved procurement templates which will be updated by Procurement.

18.3. Corporate Directors must report to Corporate Procurement any issues or breaches arising under the Supply Chain Ethical Code of Conduct. Corporate Procurement may refer the report to Strategic Competition Board, if considered necessary.

## **19. The Bribery Act**

This Act deals only with bribery – no other forms of white collar crime. The Council may be liable for failing to prevent a person from bribing on its behalf. The Council's policy regarding the Bribery Act is set out on its website at [www.towerhamlets.gov.uk](http://www.towerhamlets.gov.uk) and must be adhered to in the contracting process.

## **20. Sustainable Procurement**

20.1. The Council is committed to sustainable economic business development which minimises any adverse impact on the environment and supports social cohesion.

20.2. Sustainable criteria must be included as part of the award criteria in all contracts where appropriate. Sustainability will be assessed taken into consideration the following areas:

- a) Environmental sustainability - purchasing supplies, works and services in a way that minimises, where practically possible, the carbon footprint and encourage a positive impact on the local environment and utilises whole-life analysis.
- b) Economic sustainability – recognises the importance of Small and Medium Enterprises (SME) to the local community and ensures every opportunity is made not to discriminate against SME's during the tender process.
- c) Social Sustainability – ensures that community well-being is considered and that supply chain partners operate under ethical working practices.

## **21. Freedom of Information Act**

The council has an obligation to publish specific information in the public domain. However, the Freedom of Information Act enables certain confidential information and

commercially sensitive material to be withheld. Officers must therefore ensure that bid information is kept confidential at all stages, especially during the bid evaluation process and after the contract is awarded. Suppliers must also be given the opportunity to highlight in their bid any information that they would not wish disclosed under freedom of information request.

## 22. Contract Register

- 22.1 Contracts let through a quotation process, that is, with a value at or below £100,000, will be published on the Councils website. Contracts let through a tender process, that is with a value in excess of £100,000 will be published through the London Contract Register website: <http://www.londoncontractsregister.co.uk/>
- 22.2 Corporate Directors **must** ensure that all contracts over £100,000 are registered with Corporate Procurement and tendered through Corporate Procurement.

## 23. Contract Management

- 23.1. All contracts must be monitored to ensure they achieve the objectives and outcomes set out in the specifications. The Contract Management Framework sets out the principles and general guidance for the management of contracts. The Service, under its Director's supervision, will be responsible for the day-to-day operational delivery of contract management.
- 23.2. Corporate Procurement shall agree with Strategic Competition Board critical contracts (based upon value, business and reputation risk) that will be subject to performance monitoring and scrutiny by the Strategic Competition Board.
- 23.3. Corporate Procurement and Legal Services will provide second line support where performance failure is demonstrated.

### **Rule 6**

- All contracts awarded through the quotation and tender processes must be published on the London Contract Register and the Council's website.
- All contracts should be managed in line with the Council's agreed Contract Management Framework
- Tender and quotation documentation and contract management records must be kept in accordance with the Retention Schedule published on the Council's intranet.

## 24. Extensions and Variations

24.1. Subject to any statutory restrictions and compliance with the Constitution and Financial Regulations, a Corporate Director may authorise the following extensions and variations to an existing contract, following consultation with Legal Services and Corporate Procurement:

### 24.2. Extensions

- (i) Extension(s) for a particular period provided for within the terms of the original contract (but subject to satisfactory outcomes of contract monitoring);
- (ii) Extension(s) beyond the original contract are considered a new contract and therefore subject to Procurement Procedures and, where applicable, EU Regulations.

Any extensions that fall outside the original terms of the contract must be justified on the grounds provided by the waiver of the procurement procedures outlined in section 50.1.

A copy of the extension documentation must be provided to Corporate Procurement in order to update the Contract file and Contract Register accordingly.

### 24.3. Variations

The following variations/modifications to a contract are permitted with Corporate Director approval (following advice from Corporate Procurement and Legal Services):

- (i) Variations provided for in the original contract in 'clear, precise and unequivocal' terms; or
- (ii) Variations outside the original contract terms that fall within any of the following **four situations**:
  - a. where the **change in value is relatively small** - under 10% (services & supplies) or under 15% (works) **and** where the revised total contract value is under the applicable EU financial threshold (this is cumulative where there is a series of changes); or
  - b. where there are **unforeseen circumstances**, provided that change does not alter the overall nature of contract **and** the price increase is not greater than 50%; or
  - c. Where **additional works, services or supplies necessary and a change in contractor cannot be made** for economic or technical reasons e.g.: interoperability with existing kit; or

- d. Where to change suppliers would cause significant inconvenience or duplication of costs. In any case, the price increase must not exceed 50% of the value of the original contract.
- (iii) There has been a replacement of the supplier following a corporate **restructuring, insolvency or merger**, and the new supplier still meets the original selection criteria.
- 24.4. In any case, a substantial modification not originally provided for in the contract will trigger a new procurement process. This will arise where the modification materially changes the nature of the contract.
- 24.5. Any Variations that fall outside the original terms of the contract and do not fall under the exceptions listed in section 49.1 must be justified on the grounds provided by the Waiver of the Procurement Procedures outlined in section 50.1.
- 24.6. A copy of the variation documentation must be provided to Corporate Procurement in order to update the Contract file and Contract Register accordingly.

#### **Rule 7**

- (a) Subject to compliance with UK and EU law, a Corporate Director may authorise an **extension** to a Contract which was provided for in the original contract terms.
- (b) A Corporate Director may authorise **variations**, including price variations, determined in accordance with the original contract terms, or other variations which do not materially change the contract, and which fall within the scenarios listed in 50.1.
- (c) All extensions and variations outside of the term of the contract that amount to a contract value in excess of £250,000 (for services or supplies) or £5m (for works) must be referred to **Cabinet** for approval.

## PART 3 - APPLICABLE TO CONTRACTS BELOW £100,000

### 25. Competition

- 25.1. Contracts that fall within the level one, two and three that is equal to or below £100,000 in value, the Request for Quotation (RFQ) process **must** be followed and all quotations **must** be invited through the electronic RFQ system.
- 25.2. Officers undertaking the quotation process are responsible for the selection of suppliers. Suppliers selected for quotation **should** be located in the Tower Hamlets area unless a good business reason exists for selecting suppliers who are not based locally.
- 25.3. The Procurement Threshold table in section 6.2 of the Procedures sets out the required number of quotations for each level and the process to be followed.

### 26. Evaluation and contact award

- 26.1. Evaluation criteria for level one and two quotations **CAN** be based on cost only or cost and quality.
- 26.2. Evaluation criteria for level three quotations (£50,001 – £100,000) **MUST** be based on cost and quality.
- 26.3. In the case of nil response to a quotation exercise, the project manager should investigate the reasons for the lack of responses prior to commencing a new RFQ.
- 26.4. In the event only one quotation is received for level two and three quotation exercises, the evaluation must still be undertaken in accordance with the evaluation criteria. Upon completion, the project manager will need to assess whether the submission received satisfies the requirements and is acceptable to proceed to award or if required commence a new RFQ.
- 26.5. All contracts up to £100,000 **must** be awarded through the RFQ system.

### 27. Clarification and additional information

- 27.1 All bidder queries relating to RFQ should be in writing and managed through the RFQ system. In circumstances where a clarification response is assessed not be commercially restricted to a single bidder then the question and response should be released to all bidders without disclosing the identity of the originating bidder.
- 27.2 Further clarifications regarding quotation(s) received before contract award may be necessary. This might include areas of ambiguity, assumptions or possible errors. In such

circumstances, all clarifications must be treated as commercial in confidence and managed through the RFQ system.

## **28. Timescales for Quotations**

- 28.1. All requests for quotation include a default minimum of seven working days for the return of responses. This time period can be amended to allow a longer period where it is deemed necessary.

## **29. Terms and Conditions**

All Requests for Quotation are invited with the Council's standard terms and conditions, which must be issued to suppliers with each RFQ. In the event that the standard terms and conditions are unsuitable, any alternative terms must be agreed with Legal Services.

## **30. Use of Purchasing Cards**

- 30.1. Purchase Cards are to be used to order low value supplies and services (e.g. hotels, business travel and tickets) that do not require the additional risk management of terms and conditions encompassing orders or contracts, and only where there is no existing contract or suitable supplier available on the e-procurement system.

- 30.2. Purchasing Cards are to be used in accordance with the Visa Card User guide and associated documents available through the Corporate Procurement area on the Council intranet. The transactions **must** be reviewed and authorised in the Purchasing Card monitoring system. Any misuse may result in the Purchasing Card being withdrawn and lead to disciplinary action.

**PART 4 - APPLICABLE TO CONTRACTS IN EXCESS OF £100,000**

**31. Competition**

31.1. All contracts with a value in excess of £100,000 must be procured through Corporate Procurement to ensure compliance with the requirements of the Public Contracts Regulations 2015.

31.2. The Public Contracts Regulations set out detailed procedures for the award of contracts over specific thresholds. Details of the current thresholds are given below and are net of VAT.

	<b>SUPPLIES</b>	<b>SERVICES</b>	<b>WORKS</b>	<b>LIGHT TOUCH REGIME</b>	<b>CONCESSION</b>
Local Government	£164,176	£164,176	£4,104,394	£589,148	£4,104,394

**32. Forward Plan**

32.1. Corporate Directors must ensure that all contracts to be tendered are entered onto the forward plan of contracts, administered by Corporate Procurement at the earliest opportunity but with a minimum of six months before commencement of the procurement unless circumstances of urgency apply.

**33. Project Initiation Form**

33.1. In preparation for the Tendering exercise the Procurement Initiation Form (PIF) must be completed. The PIF will include:

- (a) Identification and definition of needs;
- (b) Options appraisal and business case development;
- (c) A review of market conditions;
- (d) Assessment of scope for collaboration; internally, externally with other organisations or the voluntary sector;
- (e) Review of the implications for HR issues, sustainability, equalities, local businesses, etc;
- (f) An analysis of the potential for achieving financial savings;
- (g) Project planning, including definition of roles and responsibilities throughout the process;
- (h) Risk analysis and recording on risk registers as appropriate
- (i) Determining the process for contract management, including the arrangements for collating on a routine basis the financial and performance information needed to evaluate the effectiveness of the procurement exercise;
- (j) Where an external agent is to be involved in the preparation of specifications, tender documentation, tender evaluation or any other procurement activity in relation to a contract, a declaration of interest and a confidentiality agreement must be completed;
- (k) Service Heads or officers with delegated power must assess any potential conflict of interest and seek advice from Legal Services. The procurement should not proceed until such time as the assessment is made;
- (l) Any disclosure of conflict of interest in a procurement process will be assessed by the Corporate Procurement and Legal Services on a case-by case basis. Individuals will be excluded on a case-by-case basis from the procurement process where the identified conflict is material and/or cannot be mitigated.

33.2. Corporate Procurement **must** be contacted as early as possible and full support given to enable the Procurement Instruction Form (PIF) to be fully completed.

33.3. No commitment can be made, and the procurement process **must not** commence, before this has taken place, and procurement advice on how to proceed has been received.

33.4. Corporate Procurement in liaison with the project manager and Legal Services will assess the procurement strategy, specification requirements and market conditions to determine the most suitable procurement procedure to employ and what internal governance measures are required.

33.5. For tenders above the EU threshold, and as part of the PIF process, Corporate Procurement will advise on current EU Law. EU Law is frequently evolving , so you should **not** assume guidance previously given will be unchanged in the future.

#### **34. Cabinet Approval – Automatic Referral**

- 34.1. Nothing in these rules obviates the requirement within the Constitution that “The contracting strategy and/or award of any contract for goods (supplies) or services with an estimated value exceeding £250,000, and any contract for capital works with an estimated value exceeding £5,000,000, shall be approved by the Cabinet in accordance with the Procurement Procedures.”
- 34.2. In order to comply with this requirement, the Head of Corporate Procurement will submit a quarterly report to Cabinet, laying down a forward plan of contracting exercises across the Council for the forthcoming 12 months. This report will identify all contracts with a value exceeding £250,000 (for services and supplies) and £5m (for works) during the period in question, and will seek Cabinet’s approval to the outline contracting strategies.
- 34.3. Cabinet will be invited to identify those contracts they consider to be key decisions, and about which they wish to receive further reports on prior to contract award. The Corporate Director must ensure that the Head of Corporate Procurement is notified in good time in order to ensure that contracts are included in this report.
- 34.4. Prior to review by Cabinet, the Strategic Competition Board must have reviewed the strategy and/or award proposal.

#### **35. Cabinet Approval – Referral by Head of Corporate Procurement**

- 35.1. If in the view of the Head of Corporate Procurement, either a contract strategy or contract award needs to be approved by Cabinet, the project lead must submit the relevant report to the next available Cabinet meeting, after it has been presented to the Strategic Competition Board, and must not proceed with either the contracting process or the contract award until Cabinet approval has been obtained.

#### **36. Tollgate Process**

- 36.1. Contracts for supplies and services in excess of £250,000 in value, or for capital works in excess of £5,000,000 in value, will be subject to the Council’s Tollgate Review Process. This is a procurement project appraisal methodology which assesses the health of the project, makes recommendations for improved outcomes and, where appropriate, provides a post-contract peer review. The Tollgate process is administered by Corporate Procurement on behalf of the Strategic Competition Board. Contracting officers must respond appropriately to recommendations in tollgate reports. In respect of contracts in excess of £250,000 (supplies & services) or £5,000,000 (capital works), you must obtain the approval of the Strategic Competition Board at two key points in the contracting cycle:

- a. To obtain agreement to the contracting strategy, prior to inviting tenders; and
- b. To obtain agreement to award contract, prior to issuing any award notification

36.2. The Procurement Cycle, including the Tollgate procedure, is set out in [Appendix 1](#).

#### **Rule 8**

- Where the Contract is subject to the tendering rules of the EU Public Procurement Regulations, then those rules shall apply to the letting of the Contract.
- The contracting strategy for contracts for supplies and services in excess of £250,000 in value, or for capital works in excess of £5,000,000 in value, will be subject to Cabinet approval.

### **37. Engagement with the Strategic Competition Board**

37.1. The approval of the Strategic Competition Board will normally be through the internal Tollgate process. In the case of urgency, approval may be granted to the Contracting Strategy (but not the contract award) by the Head of Corporate Procurement and the Divisional Director of Legal Services with a subsequent report to the Strategic Competition Board.

### **38. Timescales**

38.1. The Public Contract Regulations set out specific timescales for the letting of contracts for supplies, services and works above the EU threshold. It also sets out specific procedures and timescales to be followed. An appropriate timetable must be drawn up in liaison with Corporate Procurement and Legal Services.

### **39. Tender Documentation**

39.1. In inviting Tenders from suppliers, the Tender packs which are issued to suppliers must as a minimum include: Form of Tender, Valuing Diversity, Supply chain Ethical Code of Conduct, Confidentiality Agreement, Bona Fide and Anti-Collusion Certificate, Freedom of Information Disclosure, Conflict of Interest Declaration, Subcontractor or Consortium Member, Specifications, Quality Statements, Cost Schedule and Terms and Conditions

39.2. Local Employment and Community Benefits are intended to improve the economic, social or environmental wellbeing of the Council's area in addition to the main purpose of the contract. The Local Employment and Community Benefit **must** be considered in all relevant contracts above £100,000 and considered on appropriate contracts below £100,000.

### **40. Terms and conditions**

- 40.1. The Terms and Conditions of a contract will be drafted by Legal Services and incorporated as part of the Tender pack. Where a bidder rejects acceptance of the Terms and Conditions (expressly, or by qualifying, caveating or supplying their own terms and conditions), the bid should be rejected as non-compliant.
- 40.2. Variations to the Terms and Conditions proposed by a bidder **must** only be accepted with the approval of Legal Services.

#### **41. Tender Clarification and Additional Information**

##### **Pre-tender clarification**

- 41.1. All queries from the bidders relating to the invitation to tender should be in writing through the e-procurement system. Where questions are considered of relevance to the subject matter of the contract and likely to affect some or all bidders' response to the tender, the clarification from the Council must be released to all bidders with the questioner's identity kept confidential.
- 41.2. Where the question is specific to one of the bidders (and therefore irrelevant to the submissions of the other bidders), it may be kept confidential between the Council and that bidder.

##### **Post-tender clarification and request for additional information**

- 41.3. Tender clarifications may be necessary in order to clarify areas of ambiguity, assumptions or possible errors in the cost and delivery of specifications. Clarifications must be fairly undertaken against the requirements specification released to all suppliers. In certain circumstances, it may be necessary to issue a response to a clarification to all bidders. Equally, competition must not be distorted by allowing any bidders to improve their offer without giving the same opportunity to all other bidders.

#### **42. Negotiations**

- 42.1. Tender negotiations refer to the discussions that take place between a Council's officers and the bidders. Unless expressly allowed for within the procedure, tender negotiations must not be conducted as they distort competition and adversely affect trust in the competitive bidding process and contravene procurement regulations. Under no circumstances is it permissible to use the lowest bid to seek a reduction in costs from the other bidders.
- 42.2. Only under specific circumstances laid down in the PCR 2015, and with the agreement of the Head of Corporate Procurement and Head of Legal Services will it be acceptable to negotiate as part of a procurement process. Prior to entering into negotiations, agreement and advice must be obtained from Legal Services and Corporate Procurement, and the process must be conducted in a fair manner that does not disadvantage or show undue favour to any tenderers. All negotiations must be fully documented.

#### **43. Tender Evaluation**

- 43.1. Evaluation criteria must be decided in advance of the advert and clearly stated in the tender documentation. All contracts must be awarded on the basis of most economically advantageous tender. For contracts over £100,000 a minimum of three officers must be involved in the evaluation of tender responses.

#### **44. Supplier Selection Criteria**

- 44.1. Selection Criteria (through the Standard Questionnaire – the SQ) are used to assess a bidder's ability to perform the proposed contract. Selection Criteria can apply at pre-tender stage in order to short-list bidders or, as part of the Open Procedure, to determine which bidders' tender submissions can be considered. Where a SQ evaluation is required, the statutory Selection Questionnaire published by Crown Commercial Services must be used.
- 44.2. There is statutory guidance on the use of the SQ and Corporate Procurement and Legal advice **must** be sought before the SQ is used. There are very limited criteria under which potential suppliers may be ruled out at the SQ stage.
- 44.3. Where a SQ evaluation is required, the SQ will be issued and returned electronically via the Council's e-procurement systems with appropriate access given to officers to evaluate online. The tender documentation must clearly state the minimum requirements and how they will be assessed.

#### **45. Supplier Award Criteria**

- 45.1. Award Criteria are used to identify the tender that is the most economically advantageous to the Council. This will be the optimum combination of cost and quality benefits. Requirements must be related and proportionate to the subject-matter of the contract, and be clearly set out in the Contract Notice together with the means of proof, where appropriate.
- 45.2. Where Local Employment and Community Benefits are included as part of the award criteria, its weighting must not be more than 5% of the overall quality assessment.

#### **46. Tender Report**

- 46.1 A full tender report should be prepared by the Project Manager and kept on file. The report should include a complete review of the bidding strategy, methods used, details of bids received, and any justification for the opening of any late bids, the actual written approval for opening late bids, detailed bid evaluation and recommendations for award.

#### **47. Debriefing**

- 47.1 For EU tenders supplier debriefs are a statutory requirement and must be completed within 15 days of the date of the receipt of a written request from the tenderer. Legislation

requires a comparison between the bid of the person being debriefed with the winning bid. This must be done in such a way as to comply with the regulations without breaching the FOIA. If you have any doubt as to how to proceed, guidance should be sought from Corporate Procurement and Legal Services.

#### **48 Contract Award**

- 48.1 Corporate Directors or Divisional Directors are responsible for signing contract award letters in respect of all contracts with a value between £100,000 and £250,000 for supplies, services; and works below £5,000,000.
- 48.2 Corporate Directors are responsible for signing contracts award letters in respect of all contracts with a value equal or above £250,000 for supplies, services; and works above £5,000,000.
- 48.3 When no bids are received in response to a tender undertaken in accordance with these procurement procedures, the project manager should investigate the reasons for the lack of responses.
- 48.4 Where only one bid is received, the evaluation may still be undertaken in accordance with the tender evaluation criteria. Once this is concluded, the Project Manager will need to assess whether the submission received is sufficient (such assessment to include consideration of best value and value for money) for the Council to proceed to award or whether it would be in the Council's best interest to re-tender.
- 48.5 Alternatively, but only on the advice of Corporate Procurement and Legal Services, it may be appropriate to invoke a negotiated process with the single supplier.
- 48.6 When a procurement exercise is to be abandoned, the Divisional Directors or Corporate Directors must authorise the decision. The Head of Procurement may request that the tender report for the procurement exercise is presented to Strategic Competition Board for approval.

**49 Valid Exceptions to the Procurement Procedures**

49.1 All contracts must follow a quotation or tender process in accordance with this procedures unless, either:

- a. A waiver via the completion of a Record of Directors Action (RCDA) is obtained from the relevant Corporate Director, in accordance with the RCDA Guidance; or
- b. An existing, recognised consortium contract or framework, which has gone through an appropriate competitive tendering process, is being used in line with [section 15](#). The Framework requirements to award a Call-off contract must be followed, either through a mini-competition or a direct call off process; or
- c. An existing term contract, Framework or appropriate arrangement let by the Council, which complies with these rules, is being used (see [section 13](#)) ; or
- d. The contract is to be funded in full by another public or voluntary organisation that has requested in writing that its own procedures are followed, subject to compliance with European law..

Corporate Procurement and Legal services must be involved in the award of such contracts where the value exceeds £100,000 the completion of a PIF and a Contract Award Report may be required.

**50 Record of Corporate Director’s Actions (RCDA) - Waiving of Procurement Procedures**

50.1 Procurement Procedures may be waived by a Corporate Director in liaison with the Head of Corporate Procurement and the Head of Legal Services, where the total value of the contract does not exceed the value of £164,176 (this is cumulative where there are a series of RCDAs in a period of 12 months), after considering a written report (RCDA) by the appropriate officer, that the waiver is justified because:

- a. The nature of the market for the works to be carried out or the supplies or services to be provided has been investigated and has demonstrated that only a single source of supply is available, or
- b. On balancing the risk and circumstances, it is clearly in the Council’s interest to do so; or
- c. The contract is for works, supplies or services that are required in circumstances of extreme urgency that could not reasonably have been foreseen – e.g. to protect life or property when no existing contractual arrangement is in place, or if the purchase is needed to urgently comply with an order of Civil or Criminal Court; or
- d. The purchase is from a supplier where there is an existing obligation to the Council (e.g. under a warranty to contribute to the cost).
- e. Variations of contracts that do not fall within the exceptions listed in section 24.3

- 50.2 Corporate Director's Actions must be used only in the circumstances listed above, and not to compensate for poor planning or a desire to retain incumbent suppliers through avoidance of competition.
- 50.3 A record of the decision approving a waiver and the reasons for it must be published on the Council's website once the decision has been taken and kept in a departmental Register of Corporate Directors' Actions.
- 50.4 Corporate Director's Actions in respect of contracts over £100,000 must be reported to Corporate Finance for submission to the next available meeting of the Cabinet.
- 50.5 Corporate Directors' Actions must be completed on the appropriate form.
- 50.6 Waivers of the Procurement Procedures relating to contracts in excess of the OJEU threshold can only be made by a decision of the Mayor, either in Cabinet or through an Individual Mayoral Decision. In such circumstances, consideration must be given to the requirements set out within the Public Contracts Regulations 2015.

#### **Rule 10**

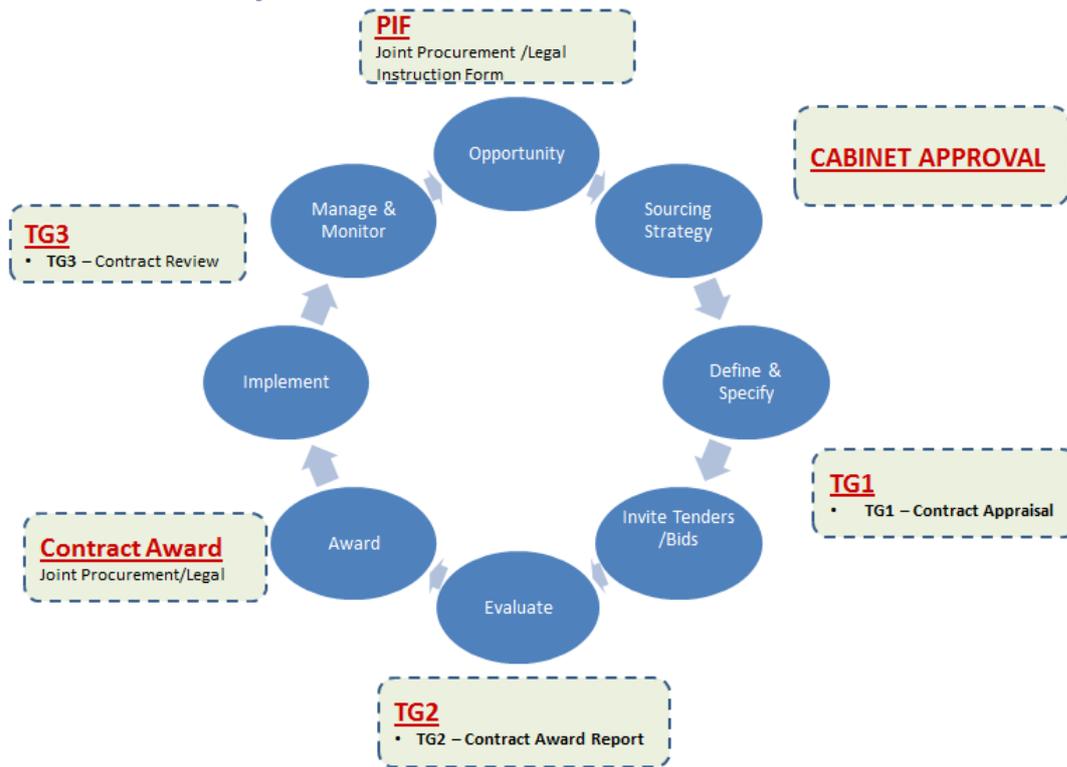
- Where the Procurement Procedures apply to a Contract a Corporate Director's Action may be taken to waive any provision, so long as it is justified in accordance with section 50 and this will not lead to a breach of UK or EU legislation.
- Waivers granted by the relevant Corporate Director must be agreed by the Head of Corporate Procurement and the Legal Monitoring Officer.
- Waivers are an exception and must not be sought unless absolutely necessary.
- Corporate Director Waivers in respect of contracts over £100,000 must be reported to the next available meeting of the **Cabinet**.
- Where there is any doubt about an action breaching UK or EU Legislation advice from Legal Services must be sought.
- A record of the decision approving a waiver and the reasons for it must be kept in a Departmental Register of Corporate Directors' Actions.

#### **Appendix 1: Tollgate process**

Purchases of goods and services in excess of £250k in value, or for capital works in excess of £5m in value are subject to the Councils Tollgate Process.

The Tollgate Process examines projects at key decision points in their lifecycle to determine the likelihood of successful delivery of the project, adherence to the Council Strategy and Community Plan and compliance with existing Policies and Procedures.

## Procurement Cycle



### Project Initiation Form (PIF)

The Procurement Instruction Form acts as the initiation of a procurement project and **must** be completed to instruct Corporate Procurement and Legal Services to support the identified project. This will involve a joint assessment between stakeholders and the procurement category manager.

Assessment will include:

- Identification of project resource to complete the procurement.
- Background and Strategic fit: summary of supplies and works being procured; justification for contract; key changes to current arrangements; link with Council’s strategy and objectives.
- Market Assessment: market conditions; possible collaboration; procurement options.
- Financials - Cost and benefit realisation: initial contract value; funding streams; efficiencies.
- Approach to risk management; controls, mitigation and monitoring.
- Agreed procurement timetable

### Tollgates 1, 2 and 3

Tollgate reviews will take place for contracts for supplies and services in excess of **£250,000** or capital works in excess of **£5,000,000**.

The review is undertaken in a two stage process by: Competition Planning Forum and Strategic Competition Board.

**a) Tollgate 1**

Tollgate 1 is completed in liaison with the procurement category manager and **MUST** be signed off by the Project Sponsor (Service Head) and presented to Competition Planning Forum, who will review and make recommendation to Strategic Competition Board for approval with any specific recommendations prior to any advert being placed. Tollgate 1 will examine:

- The outcomes and objectives for the programme
- Confirm that the programme's potential to succeed has been considered in the wider context of Council's policy and procurement imperatives
- Programme takes account of joining up with other programmes, internal (consolidation) and external (collaboration)
- Arrangements for identifying and managing risks
- Provision for financial and other resources has been identified, including a minimum of 10% savings.
- Local Employment and Community Benefits are included and appropriate.
- Sustainability strategy has been outlined.
- LLW has been factored in the cost.
- Procurement is supported by key stakeholders and has been appropriately communicated to Lead Member and to Cabinet.

**b) Tollgate 2**

Tollgate 2 is completed in liaison with the procurement category manager and **MUST** be signed off by the Project Sponsor (Service Head) and presented to Competition Planning Forum who will review and make recommendation to Strategic Competition Board for approval with any specific recommendations prior to contract award.

Tollgate 2 objectives are to ensure:

- The Business Case is still valid and unaffected by internal and external events or changes.
- The original projected business benefit are to be achieved
- There are feasible and tested business contingency, continuity and/or reversion arrangements in place.
- All on-going risks and issues are being managed effectively and do not threaten implementation.
- Contract management arrangements are in place.
- Lessons for future projects are identified and recorded
- Recommendations from TG1 have been actioned.
- Compliance with all internal governance and reporting procedures

**Tollgate 1 and 2 combined**

In exceptional circumstances, where it is agreed for a TG1 and TG2 may be combined (5.23), a detailed contract award report (TG2-Report) **must** be completed in liaison with the procurement category manager and **must** be signed off by appropriate Project Sponsor (Service Head).

**c) Tollgate 3**

High risk contracts or contracts with a value in excess of £1,000,000 will be selected by Strategic Competition Board to present a review report after initial 12 months into the life of the contracts.

Tollgate 3 report will be completed by the contract managers. Procurement Category Managers will provide guidance on report requirements.

The report will be presented by the Contract Manager to Strategic Competition Board which may provide specific recommendations.

The purpose of the Tollgate 3 is to assess:

- There is still a business need for the investment.
- Financial and efficiency benefits are being realised.
- Funding issues and risks
- Variations are being recorded and reported in accordance with the Council's Procurement Procedures.
- Contract Monitoring and Management arrangements in place
- Where applicable, confirm the validity of exit strategy and arrangements for re-competition.
- Local Employment and Community Benefits achievement.
- Compliance with policies and procedures and corrective measures where non-compliance has occurred.



This page is intentionally left blank