



From mountain to sea

Scheme of Governance

Part 3 – Financial Regulations

28 September, 2018



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Financial Regulations

Aberdeenshire Council has Financial Regulations to ensure that all decisions are made within agreed budgets and in the correct manner enabling proper, transparent and efficient financial management of the Council. All officers and employees of the Council are subject to the Financial Regulations.

This document provides guidance to officers on the proper procedures for undertaking procurements for works, goods and services.

1. INTRODUCTION

- 1.1 Financial regulations provide the framework for managing the Council's financial affairs and apply to every Member and employee of the Council or anyone acting on its behalf.
- 1.2 All Members and employees have a general responsibility for taking reasonable action to provide for the security of assets under their control, and for ensuring that the use of these resources is legal, properly authorised, and provides value for money.
- 1.3 It shall be the responsibility of all Directors to ensure that members of their staff are aware of, and comply with the requirements contained in, the Council's Financial Regulations.
- 1.4 The Financial Regulations provide a comprehensive framework and as such are very detailed, however the following guidance has been produced to support the organisation using the regulations:
 - Financial Regulations Lite.
 - Financial Matters – Test Your Knowledge.

These together with the latest approved Financial Regulations can all be found on Arcadia.

- 1.5 It should be noted that the Financial Regulations are approved by Full Council and have precedence over the above guidance.
- 1.6 These Financial Regulations shall not be altered or suspended except where a resolution to do so is passed after notice is given at a previous meeting of Full Council; or, a report is made to Full Council by the Monitoring Officer in accordance with Standing Order 9.
- 1.7 A register of breaches of Financial Regulations will be maintained by the Chief Internal Auditor (CIA). All breaches identified shall be notified to the CIA and entered in the register. Monitoring of the register will be undertaken by the Council's Strategic Leadership Team quarterly and the Committee responsible for Audit every 6 months.

2. GENERAL

- 2.1 The Head of Finance, as the “Proper Officer”, in terms of Section 95 of the Local Government (Scotland) Act 1973, shall be the adviser on financial matters to the Council and all its Committees and shall be responsible for the proper administration of the Council’s financial affairs.
- 2.2 Each Director shall consult the Head of Finance in respect of any matter which is liable to materially affect the finances of the Council before any provisional or other commitment is incurred or before reporting thereon to Committee. Such consultations must be in writing, allowing at least five clear working days for consultation.
- 2.3 References in these Regulations to “Directors” are to the Chief Executive, the Service Directors and the Area Managers.
- 2.4 The following principles shall be observed in the allocation of accounting duties:-

The duties of providing information regarding sums due to or from the Council, and of calculating, checking and recording these sums, shall be separated as completely as possible from the duty of collecting or disbursing them.

Officers charged with the duty of examining and checking the accounts of cash transactions shall not themselves be engaged in any of these transactions.

3. FINANCIAL PLANNING AND MANAGEMENT

The Council is a complex and diverse organisation responsible for delivering a wide variety of services. It needs to plan effectively and develop systems to enable scarce resources to be allocated in accordance with carefully weighted priorities. The Council’s Budgets are the financial expression of the Council’s plans and policies.

Budget management ensures that once the budget has been approved by the Council, resources allocated and procured are used for their intended purpose and are properly accounted for. Budgetary control is a continuous process, enabling the Council to review and adjust its budget targets during the financial year. It also provides the mechanism that calls to account managers responsible for defined elements of the budget.

3.1 Revenue Budget Preparation

- 3.1.1 The detailed form and timetable to be followed in respect of the Revenue Budget shall be determined by the Head of Finance subject to any direction of Full Council and after such consultations with each Director and the Strategic Leadership Team as may be necessary.

- 3.1.2 Estimates of income and expenditure on revenue account shall be prepared by the Head of Finance for approval by each Director. These estimates will be submitted to Full Council, and when approved by Full Council, shall constitute the Revenue Budget for the relevant financial year. An electronic version of the Revenue Budget is available.
- 3.1.3 The responsibility for providing the services included in the Revenue Budget shall lie with the Director concerned subject to any decisions made by the relevant Committee involved.

3.2 Revenue Budget Monitoring

- 3.2.1 The Head of Finance shall furnish Directors periodically and on request information on actual expenditure and income compared with the approved Budget. The Head of Finance shall be entitled to receive any clarification deemed necessary on any item of expenditure or income and Directors shall correspondingly provide the Head of Finance with such information as is required from them.
- 3.2.2 The Head of Finance shall report periodically to the relevant Policy Committee on comparisons of actual figures with budget and, for the year as a whole, as soon as possible after Accounts have been compiled. The Committee shall be entitled to seek explanations for any figures in the cost comparison which it deems require special attention.

3.3 Revenue Budget Management

- 3.3.1 The responsibility for ensuring that Revenue Budget provisions are not exceeded shall rest with the Director concerned except that this responsibility shall not extend to estimates for financing costs or insurance premiums which are the responsibility of the Head of Finance.
- 3.3.2 If it appears that the amount of any Revenue Budget Grouping may be exceeded, or the amount of any budget grouping of approved income may not be reached, and the excess expenditure or shortfall in income cannot be met by the Director concerned exercising their powers of virement in terms of Financial Regulation 3.4 below, it shall be the duty of the Director following consultation with the Head of Finance, to report fully to the Committee concerned which should endeavour to find the amount required elsewhere in its Budget. Should, exceptionally, this not be possible, the Committee will be recommended to refer the matter to Full Council.
- 3.3.3 Any proposal to a Committee, which would involve the incurring of additional expenditure not allowed for in the approved Revenue Budget, shall be accompanied by a report prepared, following consultation with the Head of Finance, by the Director concerned indicating that there is insufficient provision in the Revenue Budget, or making proposals for virement as required by Financial Regulation 3.4 below. Should virement not be possible, authorisation shall only be given after consideration of the expenditure involved by the Full Council.

3.4 Scheme of Virement

The scheme of virement is intended to enable the Council, Directors and Head of Finance to manage budgets with a degree of flexibility within the overall policy framework determined by the Council, and therefore to optimise the use of resources. The term “virement” refers to the switching of budgetary provision from one budget to another.

3.4.1 Definitions:-

Budget Grouping means any single section of the Council’s approved Revenue Budget (e.g. Staff Costs, Premises Costs, Supplies and Services etc.).

Budget Page means any heading under a main Committee heading comprising several Budget Groupings (e.g. Legal and Governance, Transportation, Affordable Housing, Refuse Collection etc.).

Service Budget means one of the main headings as listed in the Revenue Budget Summary page (e.g. Business Services, Infrastructure, Education and Children’s Services etc.).

£100,000 means the total value of the Budget Groupings in the virement being proposed, in each instance.

3.4.2 Subject to the following limitations, virement may be exercised by Directors, the Head of Finance and the relevant Policy Committee.

3.4.3 Directors may vire between Budget Grouping within a budget regardless of value. They may also vire between Budget Page up to the value of £100,000, on a given Budget Page, where the Budget Page relates to the Service they are responsible for.

The Head of Finance may vire between Budget Page or Service Budget up to the value of £100,000, on a given Budget Page, where the Budget Page or Service Budget involved relate to Services that are the responsibility of more than one Director, subject to approval of those Directors. Where the value of such virements is equal or greater than £100,000, it requires to be approved by relevant Policy Committee(s). Provided that where more than one Policy Committee has to approve the virement and agreement cannot be reached, the matter will be referred to Full Council for determination.

The relevant Policy Committee may vire between Budget Page or Service Budget where the functions have been delegated to that Committee and the total value of the virement is greater than £100,000.

All virements will be recorded in an electronic version of the Revenue Budget Monitoring.

3.4.4 Limitations:-

Virements of expected savings on Capital Financing Charges and Interest on Revenue Balances and recharges between Services of the Council require to be approved by the Head of Finance (values under £100,000) or Full Council (values equal to or over £100,000).

Virements relating to Insurances require to be approved by the Head of Finance (values under £100,000) or Full Council, (values equal to or over £100,000).

Recurring items of expenditure cannot replace non-recurring savings.

Virement cannot be used to reinstate an item deleted by Committee during Budget consideration.

3.5 End Year Flexibility

End Year Flexibility is intended to improve integration of service planning and five year budgeting allowing services to retain some degree of budget under spend to permit investment within the service.

- 3.5.1 An underspend generated within any Budget Page (except as detailed in 3.5.5 below) may be carried forward to the next financial year and used to defray expenses incurred within the same Budget Page for that Service, subject to the approval of Full Council and the approach set out in 3.5.2-3.5.5.
- 3.5.2 All overspends in Service Budgets for a financial year will require to be met in full in that financial year and as such will be the first call on any underspends relating to that year's outturn position. If a net underspend occurs in a financial year then carry forwards up to the value of the net underspend can be approved.
- 3.5.3 To carry forward a request will be required. Requests will be submitted to the Strategic Leadership Team.
- 3.5.4 The Strategic Leadership Team will evaluate requests against the criteria set out in the End Year Flexibility scheme and where they deem suitable will submit to Full Council for approval.
- 3.5.5 Any underspend not receiving approval to carry forward will be transferred to the General Fund Working Balance and will be available for corporate objectives, subject to consultation with the Strategic Leadership Team.
- 3.5.6 If there are any circumstances where a Service is unable to contain expenditure within the overall budget then this will require to be addressed, in the first instance, by the Strategic Leadership Team in terms of Financial Regulation 3.3.

3.5.7 Any balances held in respect of Community Development Groups shall be carried forward in total.

3.6 Capital Budget Preparation, Monitoring and Management

3.6.1 The detailed form and timetable to be followed in respect of determining the Capital Plan and Budget shall be set by the Head of Finance subject to any direction of the Full Council and after such consultations with each Director and the Strategic Leadership Team as may be necessary.

3.6.2 The impact of the Capital Plan on the Revenue Budget shall be measured in accordance with criteria laid down in the Prudential Code. In this respect, the Head of Finance shall propose a set of Prudential Indicators for approval by Full Council, which demonstrate the affordability, sustainability and prudence of the Capital Plan and Budget and shall ensure compliance with the Prudential Code in all other respects.

3.6.3 No expenditure on a capital project equal to or greater than the Committee Threshold (as defined in Para 5.3) shall be incurred before it has been the subject of a report to the appropriate Committee. The report by the appropriate Director must include the total estimated capital cost of the project(s) including fees, furniture and equipment and other ancillary costs and the estimated future revenue implications or savings arising from the project over its life.

3.6.4 It shall be the responsibility of each Director to ensure that capital expenditure does not exceed the sum approved for the project(s) in the Capital Budget and that expenditure on contracts does not exceed the approved amount of the contract.

3.6.5 Where it appears that the cost of any project or group of projects included in the Capital Budget is likely to exceed approved previously reported budget by £100,000, it shall be the duty of the Director concerned to consult with the Head of Finance, and thereafter report to the Full Council for determination.

3.6.6 The Head of Finance, following consultation with appropriate Directors, shall establish the most appropriate use of specific capital receipts and make suitable recommendations to the Full Council for determination.

3.6.7 The Head of Finance shall report regularly to the Full Council except in relation to Housing Revenue Account capital which shall be reported to the Communities Committee, on the monitoring of capital expenditure as compared with the agreed Capital Budget or Plans. In order to facilitate this, the appropriate Director shall provide the Head of Finance with information on the progress of individual projects.

3.7 Accounting Policies and Abstract of Accounts

The Head of Finance is responsible for the preparation of the Council's Statement of Accounts, in accordance with proper practices and as set out in

the format required by the Code of Practice on Local Authority Accounting in the United Kingdom (CIPFA/LASAAC), for each financial year ending 31 March. Maintaining proper accounting records is one of the ways in which the Council discharges its responsibility for stewardship of public resources. The Council has a statutory responsibility to prepare its accounts to present fairly its operations during the year.

- 3.7.1 In view of the above, it shall be the Head of Finance's responsibility to select suitable accounting policies and to ensure that they are consistently applied to the accounts relating to each financial year. It shall be the duty of all Directors to maintain proper financial and accounting records within their service to demonstrate the adequate stewardship of public resources. No such arrangements shall be introduced, discontinued or amended without the approval of the Head of Finance.
- 3.7.2 The Abstract of Accounts for the preceding financial year shall be prepared by the 30 June following, or by such date as may be specified by Scottish Ministers in regulations made under Section 105 of the Local Government (Scotland) Act 1973, and submitted, by that date, to Full Council and to the Controller of Audit. Following completion of the Audit, the Head of Finance shall submit to Full Council, not later than two months following receipt, a certified copy of the Abstract together with the External Auditor's report thereon.
- 3.7.3 Each Director shall be responsible for ensuring that the staff in their Service affords to the Head of Finance such assistance as is necessary to ensure that the deadlines agreed with the Head of Finance for the completion of the Annual Accounts are complied with.
- 3.7.4 Each Director shall provide to the Head of Finance information on Statutory Performance Indicators specified for their service in time to meet the Audit requirements and the statutory timetable of publication of Performance Indicators.

4. RISK MANAGEMENT AND CONTROL OF RESOURCES

All organisations face risks to people, property and continued operations. Risk is the chance or possibility of loss, damage, injury or failure to achieve objectives caused by an unwanted or uncertain action or event. Risk management is the planned and systematic approach to the identification, evaluation and control of risk. Its objectives are to secure the assets of the organisation and to ensure its continued financial and organisational well-being.

4.1 Internal Control

Internal controls are the mechanisms put in place by management to: manage and monitor progress towards the Council's objectives; ensure compliance with legislation, regulations and policies; ensure that operations are efficient

and effective; ensure that financial information and reporting is reliable; and to protect the organisations assets and resources.

- 4.1.1 It shall be the responsibility of the Head of Finance to assist the Council to put in place an appropriate control environment and effective internal controls which provide reasonable assurance of effective and efficient operations, financial stewardship, probity and compliance with laws and regulations.
- 4.1.2 It shall be each Director's responsibility to ensure that the established controls are being adhered to, to seek guidance from the Head of Finance and Chief Internal Auditor when it is identified that controls require change and to advise of identified failures to comply with established controls.

4.2 Insurances, Indemnities and Guarantees

One of the tools used in managing risk is the arranging of suitable insurance cover. This assists in lessening the likelihood of financial burden on the organisation in the event of loss and helps in the management of expenditure.

- 4.2.1 It shall be the responsibility of the Head of Finance to effect all insurance cover and negotiate all claims following consultation with other officers where necessary.
- 4.2.2 Directors shall give prompt notification to the Head of Finance of all new risks, properties, equipment or other vehicles which require to be insured and of any alterations affecting existing insurances.
- 4.2.3 Directors shall immediately notify the Head of Finance in writing of any loss, liability or damage or any event likely to lead to a claim, and inform the police if they consider that criminal activity may have taken place. Where a direct compensation payment is being considered as an alternative to the submission of an insurance claim the Director concerned will seek, in writing, agreement of the Head of Finance prior to payment which will be subject to the limits set out in the Scheme of Governance.
- 4.2.4 The Head of Finance shall annually, or at such other period as may be considered necessary, review all insurances following consultation with other Directors as appropriate, and may report thereon to the Policy Committee responsible for Finance if required.
- 4.2.5 Directors shall consult the Head of Finance and the Head of Legal and Governance respecting the terms of any indemnity and guarantees which the Council is requested to give. All such guarantees must be referred to Policy Committee responsible for Finance.

4.3 Assets

The Council holds significant assets in the form of property, vehicles, equipment, furniture and other items. It is important that these assets are safeguarded and used efficiently in service delivery, and that there are arrangements for the security of both assets and information required for service operations. An up-to-date asset register is a prerequisite for proper fixed asset accounting and sound asset management.

- 4.3.1 The general security of the Council's accommodation shall be the responsibility of the Director responsible for Property and Facilities Management. Subject to this, each Director is responsible for maintaining proper security at all times for all buildings, stocks, stores, furniture, equipment, cash, etc., under their control and shall consult the Director responsible for Property and Facilities Management and the Head of Finance in any case where security is thought to be defective or where it is considered that special security arrangements may be needed.

4.4 Heritable Property

- 4.4.1 The Head of Finance will set up and maintain an asset register of all assets owned by the Council (with the exception of minor items covered by Regulation 4.6), recording the holding account, the purpose for which held, the location, the extent, purchase details, particulars of nature of interest and rents payable and particulars of tenancies granted.
- 4.4.2 The Head of Legal and Governance will ensure custody of all title deeds under secure arrangements.
- 4.4.3 The advertising of property for lease and the initial consideration of offers shall be dealt with by the appropriate Committee or Chief Officer, on reports from the Head of Legal and Governance following consultation with the Head of Property and Facilities Management in accordance with the Scheme of Governance, Part 2B, paragraphs 8.12 to 8.20.
- 4.4.4 Property shall only be let or disposed of in accordance with Council Policy.

4.5 Stocks and Stores

- 4.5.1 Responsibility for the care and custody of stocks and stores under their control shall rest with each Director, who shall ensure that such assets are secure and adequately accounted for. Records shall be maintained detailing the location, movement and balance of items held which shall themselves be subject to a regular independent physical check.
- 4.5.2 Each Director shall supply to the Head of Finance such information as is required in relation to stores for the accounting, costing and financial records, timeously on request. Surplus materials, stores, or equipment shall be disposed of in accordance with Regulation 4.7.

4.6 Inventories

- 4.6.1 Inventories shall be maintained of all assets other than those included in the Asset Register and shall record an adequate description of furniture, fittings and equipment, plant and machinery etc., as required by the Head of Finance.
- 4.6.2 Each Director shall be responsible for maintaining an inventory of the assets under their control, and for taking action in relation to discrepancies.
- 4.6.3 The Council's property shall not be removed otherwise than in accordance with the ordinary course of Council business or used otherwise than for the Council's purpose, except with specific written authorisation from the Director concerned.

4.7 Disposal of Assets

- 4.7.1 Following consultation with the Head of Finance all surplus plant, vehicles, equipment and furnishings which are individually expected to realise more than £5,000 (exclusive of VAT), where no suitable trade-in arrangements have been made, shall be offered for sale by the appropriate Chief Officer either by open invitation or sold at auction.
- 4.7.2 Where the value is less than or equal to £5,000, the asset should be considered for use elsewhere in the Council, and if no alternative internal use is identified the disposal route elected should represent best value.

4.8 Treasury Management

Many millions of pounds pass through the Council's accounts each year. Because of this, codes of practice have been established which aim to provide assurances that Council money is properly managed in a way that balances risk with return, but with the overriding consideration being given to the security of Council assets.

- 4.8.1 The recommendations of the Chartered Institute of Public Finance and Accountancy Code of Practice on Treasury Management in the Public Services described in Section 4 of that Code shall be adhered to by the Council. Section 4 of the Code contains four key recommendations relating to the policies and practices to be adopted by local authorities, reporting arrangements, the management and control of risk and best value.
- 4.8.2 Accordingly, the Council will create and maintain, as the cornerstones for effective treasury management:

A treasury management policy statement, stating the policies and objectives of its treasury management activities suitable treasury management practices, setting out the manner in which the Council will seek to achieve those policies and objectives, these to be maintained by the Head of Finance.

- 4.8.3 The content of the policy statement and treasury management practices will follow the recommendations contained in sections 6 and 7 of the Code, (subject only to amendment where necessary to reflect the particular circumstances of the Council. Such amendments will not result in the Council materially deviating from the Code's key recommendations). The Council shall set out its strategy and procedures to ensure compliance with the Code in a Treasury Management Policy Statement and this shall be monitored by the Policy Committee responsible for Finance.
- 4.8.4 The Policy Committee responsible for Finance will receive reports on treasury management policies and practices, including an annual strategy and plan in advance of the year. The Head of Finance shall report, through the Policy Committee responsible for Finance Bulletin, on the activities of the Treasury Management operation and on the exercise of Treasury Management powers delegated to him/her. Within the Statement of Accounts, they shall report on the Treasury Management activities for the previous financial year.
- 4.8.5 The Council delegates responsibility for the implementation and monitoring of its treasury management policies and practices to the Policy Committee responsible for Finance and for the execution and administration of treasury management decisions to the Head of Finance. The Head of Finance will act in accordance with the Council's policy statement and treasury management practices and CIPFA's Standard of Professional Practice on Treasury Management.
- 4.8.6 The Head of Finance shall normally act as a Registrar for all Stock, Bonds, Bills etc., and shall maintain records of all monies borrowed by the Council. Where required to facilitate a particular method of borrowing, the Council's Banker or other agent approved by the Policy Committee responsible for Finance may be appointed Registrar.

4.9 Banking Arrangements

- 4.9.1 The Bank Account of the Council will be kept with the Bank selected by the Policy Committee responsible for Finance and where required, the Head of Finance shall arrange for subsidiary accounts to be kept with that Bank. All such Bank Accounts shall be in the name, or incorporate the name, of the Council.
- 4.9.2 Except where in special circumstances it is not possible to borrow on the Money Market, the Bank Account shall not be overdrawn in excess of the sum authorised by the Council and agreed with its Bankers.
- 4.9.3 Arrangements for electronic funds transfer shall be authorised by the Head of Finance or other officer designated by him or her.
- 4.9.4 Any cheques issued shall bear the signature or the facsimile of one of the authorised signatories agreed by the Council. The ordering of and the control of cheques shall be the responsibility of the Head of Finance.

4.9.5 Cheques and electronic transfers out with the Council's grouped accounts in excess of a figure determined by the Head of Finance shall require the signature of a second authorised signatory.

4.9.6 All monies received shall be paid into the Council's Bank Account daily or at such other intervals as arranged with the Head of Finance.

4.10 Investments, Loans, Common Good and Trust Funds

4.10.1 The Council shall make the necessary arrangements for the proper administration of each Trust Fund in accordance with the conditions laid down by the Trust or other Deed.

4.10.2 The Head of Finance shall ensure the proper and safe custody of all Funds administered by the Council.

4.10.3 All investments of money under the control of the Council shall be managed by the Head of Finance in accordance with the Council's Investment Policy and shall be in the name of the Council or in the name of nominees approved by the Head of Finance who will report the need for such nominees to the Policy Committee responsible for Finance.

4.10.4 All documents of title to any investments or securities, the property of or in the name of the Council or its nominees, shall be held in the custody of the Head of Finance, save that the title deeds of all property in its ownership and Standard Securities granted on heritable property shall be in the custody of the Head of Legal and Governance.

4.10.5 All Trust Funds under the control of the Council shall be in the name, or incorporate the name, of the Council.

4.10.6 All officers acting as Trustees by virtue of their official position shall deposit all securities etc., relating to the Trust with the Head of Finance unless the Deed otherwise provides.

4.11 Staffing

In order to provide the highest level of service, it is crucial that the Council recruits and retains high calibre, knowledgeable staff, qualified to an appropriate level.

4.11.1 It shall be the responsibility of all Chief Officers to ensure that the Council's Policy in relation to the recruitment and selection of staff is fully complied with and that all other HR & OD Policies approved by the Council are adhered to.

4.11.2 Appointments of all employees shall be made in accordance with approved establishments, grades, and rates of pay. Chief Officers shall have discretion as to the incremental salary point on which employees are to be placed within

the approved salary scale for the post, subject to the existence of sufficient provision in the Revenue Budget.

4.12 Internal Audit

The Local Authority Accounts (Scotland) Regulations 2014, which came into force in October 2014, make it a statutory requirement for all Scottish Local Authorities to have an internal audit function.

4.12.1 A continuous internal audit, under the independent control and direction of the Director of Business Services, shall be arranged to carry out a continuous review and appraisal of the internal controls of the Council and prepare such reports on these as may be required or appropriate. Work will be planned to provide reasonable, rather than absolute, assurance and shall be undertaken in accordance with the **United Kingdom Public Sector Internal Audit Standards**. Such Internal Audit work shall not absolve management of the responsibility to ensure that all financial transactions are undertaken in accordance with the Council's Financial Regulations and Scheme of Governance and that adequate systems of internal control exist to safeguard assets and secure the accuracy and reliability of records.

4.12.2 Internal Audit shall have authority to –

- a. Enter at all reasonable times any Council premises or land.
- b. Have access to all records, documents and correspondence relating to any financial and other transactions of the Council.
- c. Require and receive such explanations as are necessary concerning any matter under examination.
- d. Require any employee of the Council to produce cash, stores, equipment or any other Council property under their control.

4.12.3 It shall be the responsibility of all Directors to ensure that access and explanations requested by Internal Audit are provided in a timely manner on all occasions.

4.12.4 The Chief Internal Auditor has the right to report direct to the Full Council in any instance where they deem it inappropriate to report direct to the Director of Business Services, Chief Executive, or the Committee responsible for Audit.

4.12.5 Upon receipt of a report by the Chief Internal Auditor, the Director of the Service concerned shall respond fully within one calendar month.

4.12.6 Where recommendations resulting from Internal Audit work are agreed, the Director of the Service concerned shall ensure that these are implemented within the agreed timescale. Regular progress reports will be sought by Internal Audit and it is the responsibility of the appropriate Director to ensure that these are provided when requested along with explanations of any recommendations not implemented within the agreed timescale.

4.13 Prevention of Fraud and Corruption

The Council will not tolerate fraud or corruption in the administration of its responsibilities, whether from inside or outside the organisation. The Council's expectation of propriety and accountability is that Members and officers at all levels will lead by example in ensuring adherence to legal requirements, rules, procedures and practices.

4.13.1 Whenever any matter arises which involves, or is thought to involve, irregularities concerning cash, stores, equipment or other property of the Council or any suspected irregularity in the exercise of the functions of the Council, the Director concerned shall immediately notify the Chief Executive, the Head of Finance, Head of Human Resources and Organisational Development and the Chief Internal Auditor, as appropriate, who shall take such steps as may be considered necessary by way of investigation and report.

4.13.2 In order to assist in the prevention of fraud and corruption appropriate internal controls will be established in accordance with Financial Regulation 4.1.

4.13.3 All Members and employees will be expected to comply with the Council's Strategy for the Prevention and Detection of Fraud, Bribery and Corruption and Disclosure of Information (Whistleblowing) Policy.

4.14 Hospitality

4.14.1 Each Director shall be entitled to extend hospitality, subject to adequate Revenue Budget provision up to £300 (excluding VAT) per occasion.

4.14.2 Where hospitality is to be provided and it is estimated to cost in excess of £1,000 (exclusive of VAT) per occasion it shall require the prior approval of the relevant Policy Committee.

4.14.3 Reasonable hospitality extended to Council employees by current or prospective clients, customers or suppliers, is an accepted practice, but the acceptance of excessive hospitality or gifts, other than mere tokens, goes beyond what is proper for a public official, regardless of whether such gifts actually do, or are intended to, influence him or her in an official capacity. Any hospitality or gifts must be recorded in a register kept for the purpose by the Head of Legal and Governance.

4.14.4 Subject to 4.14.4, gifts may only be accepted by employees provided they fall within the terms of the specific Inland Revenue exemption (ITEPA 2003, s 324) for gifts from third parties. This effectively limits the value of gifts to £250 including VAT.

4.14.5 Hospitality or gifts received by Members must be dealt with in accordance with the Councillors' Code of Conduct and must be recorded in a register kept for the purpose by the Head of Legal and Governance.

4.15 Payment of Grants and Subsidies

The awarding of Grants are means by which the Council provides subsidies or funding to external bodies, (including individuals, businesses and third sector organisations) to further the aims of those external bodies. Grants should not be used to procure works, goods or services which the Council would otherwise have to procure in accordance with Regulation 5.3.

- 4.15.1 Subject to compliance with Regulation 4.16 and the Scheme of Governance each Director shall have authority to award grants included in the approved Revenue Budget for the services for which they are responsible.
- 4.15.2 Each grant award should be subject to the Council's Follow the Public Pound procedure.
- 4.15.3 Grants may only be awarded on written terms and conditions using grant award letters or grant agreements on terms approved by the Head of Legal and Governance.
- 4.15.4 Any amendments to such terms and conditions will require the prior approval of the Head of Legal and Governance.

4.16 State Aid

State Aid Law is the means by which the European Union regulates funding or subsidies granted by the State to commercial entities to ensure that such State assistance does not adversely affect trade between Member States and undermine the functioning of the European common market. An award of State funding or subsidy is unlawful unless it is granted under the terms of an exemption authorised by the European Commission or has been individually assessed and approved by the European Commission through its notification process. The potential consequences of awarding unlawful State Aid are that the aid payments and schemes can be suspended, the entity receiving the aid may require to repay it with interest and a competitor could sue the State and the aid recipient for damages.

- 4.16.1 It shall be each Director's responsibility to ensure that the Council fully complies with State Aid Law in respect of any funding or subsidy granted by the Council to a third party. Each Director shall ensure that a State Aid Risk Assessment is undertaken where they consider that such funding or subsidy could potentially be subject to State Aid Law.
- 4.16.2 Where any funding or subsidy granted by the Council to a third party is considered to be State Aid and is administered under Commission Regulation (EC) No 1998/2006 (relating to de minimis aid), the relevant Director shall ensure that details of the grant of funding or subsidy (including a copy of the de minimis declaration signed by the third party) are included in a central database.

4.17 Shared Services

Shared Services are arrangements where the Council collaborates with other public authorities to obtain works, goods or services. These types of arrangements are excluded from the full application of the Public Contracts (Scotland) Regulations 2015 and therefore do not need to be publicly tendered. However, there are rules governing the creation of a properly constituted shared service arrangement and these rules must be followed.

- 4.17.1 Identification of a Shared Service arrangement should be undertaken following consultation with the Head of Commercial and Procurement Services and should only be entered into where the Director of the relevant services can demonstrate that such arrangement represents best value to the Council.
- 4.17.2 Approval to enter into a Shared Service arrangement, where the value of the shared services is equal to or greater than Committee Threshold (as detailed in Paragraph 5.3 below) should be sought from the relevant Committee. Existing Shared Services arrangements will be subject to review and approval in accordance with regulation 4.17.6.
- 4.17.3 Shared Services arrangements may only be entered into on written terms and conditions approved by the relevant Director following consultation with the Head of Legal and Governance.
- 4.17.4 Shared Services arrangements must comply with the European rules on such arrangements including that any payments due under such arrangements are only in respect of reimbursement of costs.
- 4.17.5 The Head of Commercial and Procurement Services shall maintain a register of agreements for shared services and each relevant Director shall ensure that the prescribed information as detailed by the Head of Commercial and Procurement Services is communicated to him or her on an annual basis.
- 4.17.6 Shared Services arrangements should be subject to review and renewal of approval at least every four years.

4.18 Sponsorship

Sponsorship is defined as “Any commercial agreement by which a sponsor, for the mutual benefit of the sponsor and the sponsored party, contractually provides financing or other support in order to establish an association between the sponsor’s image, brands or products and a sponsorship property in return for rights to promote this association and/or for the granting of certain agreed direct or indirect benefits”.

- 4.18.1 Commercial Sponsorship arrangements must comply with the Aberdeenshire Council Policy and Procedures on Commercial Sponsorship in the Public Sector.

4.18.2 Commercial Sponsorship will be co-ordinated by the Head of Commercial and Procurement Services who will maintain a central register of all commercial sponsorship agreements.

4.18.3 All commercial sponsorship agreements must be based on a written agreement. For agreements with a value less than £1,000, an exchange of letters will be sufficient evidence of a written agreement. For agreements with a value in excess of £1,000, a full contract is required.

5. FINANCIAL SYSTEMS AND PROCEDURES

5.1 Income

Income can be a vulnerable asset and effective income collection systems are necessary to ensure that all income due is identified, collected, receipted and banked properly. It is preferable to obtain income in advance of supplying goods or services as this improves the Council's cash flow and also avoids the time and cost of administering debts.

5.1.1 All rents, fees, and charges levied by the Council shall be reviewed in accordance with the Council's Charging Policy.

5.1.2 It shall be the duty of the Head of Finance to ensure the proper recovery of all monies due to the Council. To this end, they shall ensure that proper financial and accounting arrangements are made throughout the Council for the recording, collection, custody, control and disposal of cash.

5.1.3 All receipt forms, books, tickets, and other such documents shall be ordered and supplied to Services by or with the approval of the Head of Finance, who shall require to be satisfied as to the arrangements for their control.

5.1.4 All money received by an Officer on behalf of the Council shall without delay be paid to the Head of Finance or, as they may direct, to the Council's Bank or Girobank account or transmitted directly to any other body or person entitled thereto. No deduction may be made from such money save to the extent that the Head of Finance may specifically authorise. Appropriate accounting entries shall be effected in a timely and accurate manner to record all income due and collected.

5.1.5 Maximum limits for cash holdings shall be held securely and shall not exceed the limits set by the Head of Finance unless by prior express permission.

5.1.6 In respect of recurrent income, the Head of Finance shall maintain registers, issue accounts and collect same, except in relation to Council house rents and rent arrears where the responsibility shall rest with the Director of Infrastructure Services who shall account for these to the satisfaction of the Head of Finance.

- 5.1.7 Accounts for other chargeable services shall be issued by the Chief Officer concerned utilising the corporate debtors system unless dispensation has been given by the Head of Finance. The Head of Finance shall be responsible for collection and pursuit of outstanding sums, in accordance with the Corporate Debt Policy and where relevant instructions approved by the Policy Committee responsible for Finance.
- 5.1.8 Where payment for a service is in advance of the service being delivered i.e. payment is made when the service is ordered, the Directors responsible for the service delivery shall account for these upfront payments to the satisfaction of the Head of Finance.
- 5.1.9 An irrecoverable debt is one where there is no reasonable prospect of recovery. Once formally written off, no active pursuit of the debt will normally be undertaken.
- 5.1.10 Irrecoverable debts up to a value of £10,000 may be written off by the Head of Finance following consultation with the appropriate Director. Debts in excess of £10,000 may be written off only after due consideration and approval by the Policy Committee responsible for Finance. Debts in excess of £10,000 relating to council house rent arrears (including former tenant arrears) may be written off only after due consideration and approval by the Policy Committee responsible for Housing. All irrecoverable debts, where the debtor has been subject to bankruptcy, sequestration or liquidation, may be written off by the Head of Finance.
- 5.1.11 If the impact of such a write-off is such that it will result in the amount of any revenue budget head being exceeded, or an income figure not being reached, then the provisions of Regulation 3.3.2 shall apply.

5.2 Authority to Incur Expenditure

- 5.2.1 Each Director shall have authority to incur expenditure included in the approved Revenue Budget for the services for which they are responsible up to the level of the Budget provision subject to Regulations 5.2.2 to 5.2.5 below and the authorisation limits set out in the Scheme of Governance to officers.
- 5.2.2 Each Director shall be responsible for reporting to the relevant Committee prior to the beginning of each financial year with a proposed work plan for all procurements falling within the jurisdiction of the Committee with a Contract Value of £50,000 or more and updating the Committee from time to time in the event of any new procurements with a Contract Value of £50,000 or more being added to the work plan.
- 5.2.3 Expenditure on the alteration, maintenance or repair of buildings may not be incurred until appropriate technical or professional advice has been taken from the Director of Business Services except in relation to routine maintenance of houses provided under the Housing Acts and included in the Housing Revenue Account.

- 5.2.4 Expenditure on I.T. software and hardware may not be incurred until appropriate technical or professional advice has been taken from the Head of Information and Communication Technology.
- 5.2.5 Expenditure on Consultants may not be incurred until after consultation with the Strategic Leadership Team and the approval of the Head of Finance is received.
- 5.2.6 Single items of expenditure on supplies, goods, works, materials or services shall require competitive quotations in accordance with tendering arrangements set out in Regulation 5.3.
- 5.2.7 For a contract of £50,000 and over that is cross-directorate and cross-area, there is no requirement for each policy committee which makes a budgetary contribution to approve the expenditure on a directorate work plan. The policy committee with the greatest budgetary contribution will be the lead policy committee and this committee has the delegated power to approve all of the expenditure on that contract provided
- a. That if the budgetary contribution of the other policy committee(s) is less than £50,000 then the appropriate Chief Officer has the delegated power to approve that part of the expenditure on the contract.
 - b. That the Chair, Vice-Chair and relevant opposition spokesperson of the other policy committee(s) with a budgetary contribution of £50,000 and over to the contract must be consulted and the results of the consultation must be reported to the lead policy committee, prior to the determination of the expenditure on the contract.

5.3 Procurement of Works, Goods or Services

Public money should be spent with demonstrable probity and in accordance with the Council's policies. The Council has a responsibility to achieve best value through economy and efficiency whilst following the key principles of equal treatment, non-discrimination, transparency and proportionality.

The Council's procedures should help to ensure that Services obtain value for money from their purchasing arrangements whilst complying with legal obligations and procurement principles.

Officers should seek assistance from the Commercial and Procurement Service and refer to the Procurement Guidance Notes (Part 4B of the Scheme of Governance).

Definitions

5.3.1 The following definitions will apply to regulation 5.3:

Award Report means a formal report for approval by a Chief Officer or Committee, as the case may be, (conforming to a template approved by the Head of Commercial and Procurement Services) seeking authority to award a contract for the purchase of works, goods or services.

Business Case means a formal report for the approval of a Chief Officer or Committee, as the case may be, (conforming to a template approved by the Head of Commercial and Procurement Services) seeking authority to conduct a procurement for the purchase of works, goods or services.

Chief Officer means a Chief Officer of the Council having delegated authority to conduct a procurement process and award contracts in accordance with the Scheme of Governance.

Committee means the relevant committee of the Council having delegated authority to conduct a procurement and award a contract in terms of the Scheme of Governance.

Committee Threshold means a Contract Value of over £1,000,000.

Contract means a contract entered into or to be entered into by the Council and a supplier for works, goods or services and includes a framework agreement or a call-off contract under a framework agreement unless the context requires otherwise and also includes income or savings generating arrangements as described in regulation 5.3.38.

Contract Value means, subject to regulation 5.3.8 (Aggregation), the total value of a contract (exclusive of VAT) payable by the Council under the contract over the whole life of the contract (including any optional extension periods or any value transferred to the supplier by way of a concession or rights or some other asset/non-cash transfer).

Direct Award means the award of a Contract without the Council having sought quotes or tenders.

EU Thresholds means the contract value thresholds set out in the Public Contracts (Scotland) Regulations 2015 governing the applicability of those Regulations to public contracts.

Procurement Guidance Notes means the procurement guidance notes published by the Head of Commercial and Procurement Services and as amended from time to time.

Procurement Legislation means the Procurement Reform (Scotland) Act 2014, the Public Contracts (Scotland) Regulations 2015, the Procurement

(Scotland) Regulations 2016 and any other legislation which amends this legislation or governs public procurement in Scotland.

Procuring Officer means an officer of the Council responsible for administering a procurement process having been approved by the Head of Commercial and Procurement Services for such purpose in accordance with regulation 5.3.3(iii) (and which officer may be referred to as a “Delegated Procurer” in the Procurement Guidance Notes”).

Scheme of Governance means the Council’s Scheme of Governance authorising Committees and Officers, as the case may be, to exercise powers on behalf of the Council.

5.3.2 In the event of conflicting terms the following order of priority will apply:

- (i) Procurement Legislation,
- (ii) Part 2 of the Scheme of Governance, Delegations,
- (iii) Part 3 of the Scheme of Governance - Financial Regulations,
- (iv) Part 4C of the Scheme of Governance - Procurement Guidance Notes

Head of Commercial and Procurement Services

5.3.3 The Head of Commercial and Procurement Services shall be responsible for:

- (i) Overall management of the procurement function of the Council,
- (ii) Maintaining an up to date Contracts Register in accordance with the requirements of the Procurement Legislation for the monitoring of all contracts and framework agreements developed or in use across the Council, which shall include the value and amount of each contract (where able to be so identified),
- (iii) Designating suitable officers as Procuring Officers and maintaining a register of Procuring Officers,
- (iv) Organising appropriate training for Procuring Officers,
- (v) Publishing the Procurement Guidance Notes and ensuring that a monitoring process is in place.

Procuring Officers and Guidance

5.3.4 No officer shall be permitted to undertake a procurement process unless that officer has been designated a Procuring Officer by the Head of Commercial and Procurement Services.

5.3.5 The Head of Commercial and Procurement Services may at their discretion withdraw an officer’s authority to administer procurements and remove that officer from the register of approved Procuring Officers.

5.3.6 Procuring Officers shall observe all Procurement Legislation, the Scheme of Governance, (including the Financial Regulations) and the terms of the Procurement Guidance Notes when administering procurements.

- 5.3.7 Procuring Officers shall notify the Head of Commercial and Procurement Services of details of all Contracts with a Contract Value of £50,000 or more for which they are responsible (a) which have been entered into by the Council during the current financial year (with sufficient information to enable the Head of Commercial and Procurement Services to maintain an accurate and up to date Contracts Register) and (b) prior to 31 March, details of all proposed Contracts for which they will be responsible during the next financial year. All information to be provided in a format approved by the Head of Commercial and Procurement Services.

Aggregation of Contracts

- 5.3.8 Where a Contract is one of a series of similar Contracts, across the Council for the same category of goods, or specific requirements needed to complete a project, the value of each must be aggregated to determine the relevant Contract Value. In the foregoing circumstances the Procuring Officer should seek guidance from the Head of Commercial and Procurement Services before proceeding. The splitting of requirements into smaller lots or orders or shorter contract periods in an attempt to avoid the Contract Value limits in these regulations is expressly prohibited.

Contract Term

- 5.3.9 All contracts should have a defined duration or be capable of being terminated on a fixed period of notice by the Council.
- 5.3.10 Contracts will be subject to review by the relevant Head of Service at least every four years. A Contract may only be continued beyond the initial period if it continues to represent best value and provided the appropriate approval is obtained in accordance with these regulations.

Internal Suppliers and Cross Authority Arrangements

- 5.3.11 Where works, goods or services can be provided by another Service of the Council, orders should be placed with that Council Service, unless best value will be achieved by external provision. If it is believed that best value can be achieved by external provision then, advice on the way to proceed shall be sought from the Head of Commercial and Procurement Services by the purchasing service following consultation with the in-house provider. It is the responsibility of the manager of the in-house provider to ensure that best value is achieved by either (a) providing such goods or carrying out such works or services or (b) assisting in contracting with an external provider.

Authority to Conduct a Procurement

- 5.3.12 Subject to regulations 5.3.26 (special urgency) and 5.3.28 (Social Work Exception), no tender shall be invited or contract entered into (except where the Contract Value is below £10,000) unless a Business Case has been approved by the Chief Officer or Committee, as the case may be, and the

Head of Commercial and Procurement Services has been notified. The allocation of a budget as part of the Council's budget setting process is insufficient. The method of authorising the initiation of a procurement process is dependent on the estimated Contract Value as follows:

- (i) Where the estimated Contract Value is below the Committee Threshold – either - the Chief Officer (subject to sub-paragraph (iii) below), or the relevant Committee where
 - a) the Committee has reserved the right to approve the Business Case following notification of the work plan, or
 - b) a Business Case is required for approval where the matter has not previously been reported to Committee on a Work Plan
- (ii) Where the estimated Contract Value is equal to or more than the Committee Threshold –the relevant Committee,
- (iii) Before a Chief Officer can authorise the initiation of a procurement process in accordance with sub-paragraph (i) above the Business Case must have been considered by the relevant service management team.

Procurement Procedures

Contracts less than £10,000

5.3.13 Where the Contract Value is estimated to be less than £10,000 the Procuring Officer must obtain a minimum of one written quote and be able to demonstrate that best value has been achieved.

Contracts equal to or over £10,000, but less than £50,000

5.3.14 Subject to regulation 5.3.24, where the Contract Value is estimated to be £10,000 or more but less than £50,000, competitive quotations must be sought and obtained in writing from at least four suppliers, including, where appropriate, internal service providers. The Public Contracts Scotland website must be used for the advertisement of such Contracts, unless the Head of Commercial and Procurement Services has given express permission otherwise. Should the Procuring Officer be unable to obtain four written quotes, a request should be submitted to the Head of Commercial and Procurement Services (using the form approved by the Head of Commercial and Procurement Services for such purpose) to obtain their prior consent to proceed with fewer than four quotations. Where there is no alternative supplier, and the Council is legally obliged to make the payment (e.g. exam fees, licences/copyright, disclosure fees), there is no requirement to obtain the approval of the Head of Commercial and Procurement Services.

Contracts £50,000 and above

5.3.15 Subject to regulation 5.3.24 if the Contract Value is estimated to be £50,000 or more a formal competitive tendering process shall be undertaken in accordance with the Procurement Legislation and the Procurement Guidance Notes. The Public Contracts Scotland website must be used for the

advertisement of such Contracts, unless the Head of Commercial and Procurement Services has given express permission otherwise.

Contracts above EU Thresholds

5.3.16 Where the value of the contract is estimated to exceed the relevant EU Threshold or it is anticipated that there might be cross border interest in the procurement the advice of the Head of Commercial and Procurement Services must be sought.

Tender Opening

5.3.17 Tenders must be submitted via electronic means or unless the Head of Commercial and Procurement Services agrees otherwise. Where tenders are to be submitted via electronic copy only, the Head of Commercial and Procurement Services must be consulted on the method for receipting and recording of tenders. In the case of hard copy tender submission tenders shall be opened by an officer in the presence of two other officers who shall be Directors, Heads of Service or Service Managers whose service is not connected to the contract being let.

Selection and Down Selection

5.3.18 Where the shortlisting of interested parties or down selection of tenderers is permitted as part of a procurement process the Chief Officer shall have authority to select the parties to be invited to tender or to be allowed to continue in the tendering process, as the case may be.

Tender Evaluation

5.3.19 Tenders shall be evaluated by an evaluation panel in accordance with the procedures set out in the Procurement Guidance Notes.

5.3.20 Tenders shall be evaluated in accordance with the quotation or tender award criteria set out in the invitation to quote or tender, and on the basis of establishing which offer is the most economically advantageous. No other criteria shall be applied.

5.3.21 A written record shall be maintained outlining the evaluation process, recording the process followed, the criteria applied, and detailing the reasons for the decision and incorporated into the Award Report. This record shall be retained as per the Council's Retention Policy and is further detailed within Procurement Guidance Notes.

Post Tender Negotiation

5.3.22 Post tender negotiations may only be considered where permitted by the Procurement Legislation and then only with the written approval of the Head of Commercial and Procurement Services of the approach to be adopted.

Authority to Award Tendered Contracts

5.3.23 Subject to the submission of a satisfactory Award Report by the Procuring Officer, authority to award contracts following a tendering procedure is permitted as follows:-

- (i) Where the Contract Value is less than the Committee Threshold – Chief Officer,
- (ii) Where authority to conduct the procurement has been approved by the relevant Committee and the Contract Value does not exceed the amount approved by Committee by more than 25% – Chief Officer (subject to sub-paragraph (v) below),
- (iii) Where authority to conduct the procurement has been approved by a Chief Officer the Contract Value is equal to or exceeds the Committee Threshold – Committee,
- (iv) Where authority to conduct the procurement has been approved by Committee and the Contract Value both exceeds the Committee Threshold and exceeds the amount approved by Committee by more than 25% - Committee,
- (v) Before a Chief Officer can award a Contract in accordance with sub-paragraph (ii) above the Award Report must have been considered by the relevant service management team.

Authority to make a Direct Award (including special urgency)

5.3.24 Notwithstanding regulation 5.3.23, a Chief Officer may authorise a Direct Award but then only in the following circumstances:

- (i) Where the Contract Value is below £10,000 and the Chief Officer is satisfied it represents best value,
- (ii) Where the Contract Value is £10,000 or more but less than £50,000, the Procuring Officer has presented a satisfactory Award Report demonstrating best value and the Head of Commercial and Procurement Services either consents in accordance with regulation 5.3.14 or is satisfied that there is no practical or economically sensible alternative,
- (iii) Where the Contract Value is £50,000 or more but below the Committee Threshold, the Procuring Officer has submitted an Award Report and the Head of Commercial and Procurement Services is satisfied that there are grounds for permitting a Direct Award in accordance with the Procurement Legislation (which grounds may include awarding a call-off contract to a supplier under a framework agreement without re-opening competition),
- (iv) For the purchase of second-hand goods in accordance with regulation 5.3.37,
- (v) In the case of special urgency as set out in regulation 5.3.26, and
- (vi) Where the exceptional procedure (social work) applies in accordance with regulation 5.3.28.

- 5.3.25 Regardless of the Contract Value, Full Council or a Committee may authorise a Direct Award provided the Head of Commercial and Procurement Services is satisfied that there are grounds for permitting a Direct Award in accordance with the Procurement Legislation (which grounds may include awarding a call-off contract to a supplier under a framework agreement without re-opening competition).
- 5.3.26 In the event of special urgency brought about by circumstances unforeseeable by, and not attributable to the Council, a Chief Officer may authorise a Direct Award provided the Head of Commercial and Procurement Services is satisfied and provides written confirmation that there are grounds for permitting a Direct Award in accordance with the Procurement Legislation.
- 5.3.27 If there is any doubt about whether there are grounds for permitting a Direct Award in accordance with the Procurement Legislation the Head of Commercial and Procurement Services shall consult with the Head of Legal and Governance before agreeing that the action is justified in the circumstances.

Exceptional Procedure for Social Work Contracts

- 5.3.28 Where the Chief Officer of the Integration Joint Board (for Adult Social Work Contracts) or the Head of Children's Services (for Children's Social Work Contracts) is satisfied that the following conditions apply, they each have delegated authority to enter into a Contract with one provider where the requirement falls within the Health and Social Services classification designated within Schedule 3 in the Public Contracts (Scotland) Regulations 2015 and the Contract Value does not exceed €750,000:
- (i) Where the Chief Officer of the Integration Joint Board or the Head of Children's Services is satisfied that the requirement of the contract is unique and, after research, only one suitable source of supply can be identified,
 - (ii) When, for reasons of extreme urgency or risk to life or health and wellbeing, brought about by events unforeseen by the Council, the other procurement procedures cannot be complied with,
 - (iii) Where, for example in the case of certain residential or supported living services, there are only limited spaces available for a specific type of care and those spaces only become available occasionally and at short notice, or
 - (iv) Where the Council is instructed by a Children's Hearing or Educational Tribunal to place a child in a particular setting.
- 5.3.29 Under the exceptional procedure referred to in Regulation 5.3.28 contracts can be of an indeterminate period. In these circumstances the Contract Value shall be calculated based on the known or estimated value of the contract over a period of four years. Any such contracts will be subject to review by the Chief Officer or the Head of Children's Services at least every four years. Any such contracts may only be continued beyond four years if they continue to

represent best value and provided the Chief Officer of the Integration Joint Board or the Head of Children's Services is satisfied the relevant conditions in regulation 5.3.28 continue to apply.

5.3.30 Where this exceptional procedure described in regulation 5.3.28 has been used, the Chief Officer of the Integration Joint Board or the Head of Children's Services must report to Head of Commercial and Procurement Services the contract values, names of provider and types of service commissioned/procured by this means and, if the Contract Value meets or exceeds the Committee Threshold, make a report to the relevant Committee.

Contract Extensions and Variations

5.3.31 Where there are reasons to justify the extension or variation of the scope of an existing Contract and the combined Contract Value of the existing Contract and the extension or variation is less than the Committee Threshold, the Chief Officer shall have authority to agree the extension or variation following presentation of an Award Report by the Procuring Officer justifying the extension or variation and subject to the Head of Commercial and Procurement Services being satisfied that such an extension or variation is permitted by the Procurement Legislation.

5.3.32 Subject to regulation 5.3.33, where there are good reasons to justify the extension or variation of the scope of an existing Contract and the combined Contract Value of the existing Contract and the extension or variation is equal to or exceeds the Committee Threshold, the Committee shall have authority to agree the extension or variation following presentation of an Award Report by the Procuring Officer justifying the extension or variation and subject to the Head of Commercial and Procurement Services being satisfied that such an extension or variation is permitted by the Procurement Legislation.

5.3.33 There shall be no requirement to report to Committee or seek Committee approval to extend a contract where the option to extend was included in the original Committee approval. The authority to exercise an option to extend in these circumstances shall be delegated to the Chief Officer.

Framework Agreements

5.3.34 A framework agreement is a general term for agreements with suppliers which set out terms and conditions under which specific purchases (call-offs) can be made throughout the term of the framework agreement. These regulations also apply to framework agreements and call-off contracts including the thresholds for approval of expenditure and authority to award Contracts.

5.3.35 Where the Council has entered into a framework agreement with external suppliers covering the provision of goods, works or services for the whole Council, orders for such goods, works or services shall be placed with the contracted suppliers. The approval of the Head of Commercial and Procurement Services must be sought before seeking alternative provision.

5.3.36 Officers may procure works, goods and services under external framework agreements provided that authority to incur expenditure has been approved in accordance with these regulations and also provided that:

- (i) Use of an external framework agreement by the Council has been approved in writing by the Head of Commercial and Procurement Services,
- (ii) No material change may be made to the call off terms under the framework agreement. (Calling-off from the framework may only be done in accordance with the procedures laid down within that framework),
- (iii) All call-off contracts must be reported to the Head of Commercial and Procurement Services,
- (iv) If the aggregate Contract Value of call-off contracts under a framework agreement is likely to exceed the Committee Threshold then the authority of the relevant Committee to incur the expenditure should be obtained in advance of the Committee Threshold being exceeded.

Purchase of Second-Hand Goods

5.3.37 Second hand goods up to a value of £50,000 may be acquired without a competitive quotation being obtained provided that:

- (i) The Chief Officer can demonstrate that the purchase is necessary to facilitate service delivery,
- (ii) The Chief Officer can demonstrate that the purchase represents best value, having given due consideration to the cost of an equivalent new purchase and estimated life of the asset both from new and current age,
- (iii) The goods have been subject to inspection to ascertain their physical condition, with a record kept of the outcome of the inspection,
- (iv) The Council has clear title to the goods, and
- (v) The Chief Officer obtains in writing (including e-mail) the prior consent of the Head of Commercial and Procurement Services before effecting the purchase.

Income and Savings Generating Arrangements

5.3.38 The requirements in relation to the award of Contracts and the approval thresholds detailed throughout regulation 5.3 will apply equally to:

- (i) Contracts resulting in the generation of income,
- (ii) Contracts transferring a benefit/asset to a supplier, the relevant value of which will be the value of the benefit transferred net of any income received or gross of cost incurred by the Council as a result of the arrangement, and
- (iii) Arrangements based on a review of activities resulting in a saving to the Council where a percentage of that saving is paid to the contractor.

Purchase Orders

- 5.3.39 Subject to regulation 5.3.40 the purchase of all works, goods or services shall be ordered or instructed on an official purchase order form, which shall be in a format approved by the Head of Finance. Where by reason of urgency or necessity an oral order is issued, it must be confirmed immediately in writing by the issue of an official purchase order form. The supplier shall be requested to quote order numbers on all invoices.
- 5.3.40 The Head of Finance has authority to dispense with the requirement to complete a purchase order and shall maintain a register of such dispensations. Purchasing with a purchase card is subject to this dispensation.
- 5.3.41 The purchase order with the relevant contract references/schedule numbers, included where appropriate, shall be signed in manuscript by the Director or other authorised signatory, or by appropriate electronic methods as approved by the Head of Finance. All Directors must furnish the Head of Finance with a list of signatories approved for this purpose, and shall advise him or her of additions to or deletions from the list as they occur. The officer approving the purchase order should be satisfied that there will be appropriate budgetary provision covering the estimated cost prior to authorisation. All purchase orders or contracts of £50,000 and above in value must be authorised by someone at Head of Service level or above, subject to obtaining appropriate approvals.
- 5.3.42 Regulation 5.3.39 does not apply to supplies of metered services, periodical payments such as rent and rates, and petty cash purchases.

5.4 Payment of Accounts

In order to ensure the probity of payments, it is essential that appropriate controls are in operation to confirm that the expenditure has been appropriately committed in accordance with Regulation 5.3, the works, goods or services have been supplied to the Council in a satisfactory manner, and costs are in accordance with estimates.

- 5.4.1 The Chief Officer issuing an order is responsible for examining, verifying and certifying the accuracy of the related invoice(s) and similarly for any other payment voucher or account. Such certification shall be in a method or format prescribed by the Head of Finance. The names of officers authorised to sign such records shall be submitted by each Chief Officer to the Head of Finance, together with specimen signatures and initials, and this list shall be updated regularly. Where a purchase order has been raised on the i-Procurement system, the approval of this purchase order can be taken as authority for paying the resultant invoice (subject to the goods / services having been “receipted” on the system, and the resultant invoice matching the goods ordered / and received and the value being within a tolerance level specified by the Head of Finance).

- 5.4.2 Certified accounts shall either (a) be passed without delay to the Head of Finance who shall make payment after examining them and making such enquiries and receiving such information and explanations as are deemed necessary, or (b) be paid by the Head of Finance after processing by the Director concerned in accordance with procedures agreed by the Head of Finance. Apart from petty cash payments and other payments of imprest/advances, the normal method of payment of money due from the Council shall be by electronic funds transfer.
- 5.4.3 Such floats or imprests as the Head of Finance considers appropriate shall be provided for Services or sections of the Council requiring them for the purposes of defraying petty cash and other expenses as may be approved by the Head of Finance for payment in cash. Such accounts shall be maintained on an imprest system in a manner prescribed by the Head of Finance.

5.5 Salaries and Wages

Staff costs are the largest item of expenditure for most Council Services. It is therefore important that payments are accurate, timely, made only when they are due for services to the Council and that payments accord with individuals' conditions of employment. It is also important that all payments are accurately and completely recorded.

- 5.5.1 With the general exception of pensions to former employees, the payment of salaries, wages, compensations and other emoluments to all employees of the Council shall be made by the Head of Human Resources and Organisational Development.
- 5.5.2 Each Director shall notify the Head of Human Resources and Organisational Development without delay and in the form prescribed by him or her, of all matters affecting the payment of such emoluments and, in particular:
- a. Appointments, resignations, dismissals, suspensions, secondments and transfers,
 - b. From duty for sickness or other reason, apart from approved leave,
 - c. Changes in remuneration, other than normal increments and pay awards and agreements of general application,
 - d. Information necessary to maintain records of service for superannuation, income tax etc.
- 5.5.3 All time records or other pay documents shall be in a form prescribed or approved by the Head of Human Resources and Organisational Development and shall be certified by or on behalf of the Director concerned. Certified documents shall either (a) be passed without delay to the Head of Human Resources and Organisational Development who shall make payment after examining them and making such enquiries and receiving such information and explanations as are deemed necessary, or (b) be paid by the Head of Human Resources and Organisational Development after processing by the Director concerned in accordance with procedures agreed by the Head of

Human Resources and Organisational Development. The names of officers authorised to sign such records shall be submitted by each Director to the Head of Human Resources and Organisational Development, together with specimen signatures and initials, and this list shall be amended on the occasion of any change therein.

- 5.5.4 Should it be established that an employee has been overpaid, recovery will be pursued. Should the employee's Service believe that there are mitigating circumstances, non-recovery may only be permitted if the Head of Finance gives written approval, following consultation with the Head of Human Resources and Organisational Development.

5.6 Travelling and Subsistence Allowances

- 5.6.1 All payments in respect of travelling and subsistence allowances shall be at rates determined from time to time by the Council and in accordance with the Council's scheme for the payment of travelling and subsistence allowances T&S Policy.
- 5.6.2 All claims for payment of travelling and subsistence allowances by staff shall be duly certified and submitted to the Head of Human Resources and Organisational Development on the approved form, made up to the last day of each month, accompanied by VAT receipts (where appropriate) for expenditure incurred and submitted as soon as possible. The names of officers authorised to certify such records shall be sent to the Head of Finance by each Director, together with specimen signatures and initials and shall be amended on the occasion of any change.
- 5.6.3 The certification by or on behalf of the Director shall be taken to mean that the certifying officer is satisfied that the journeys were authorised, the mileage and expenses incurred are reasonable and agree with the journey description detailed, and the allowances are properly payable by the Council.
- 5.6.4 Payment to Members of the Council who are entitled to claim travelling or other allowances will be made by the Head of Human Resources and Organisational Development upon receipt of the prescribed form duly completed and accompanied by valid receipts for all subsistence claimed.

Supplementary Information

(NB: does not form part of Financial Regulations)

Procurement of Works, Goods or Services - Further Considerations

A. Which Supplier

Consideration needs to be given as to whether an internal supplier or current contracted/framework supplier can be used.

Where a framework agreement or contracted supplier exists for a particular commodity then these must be used.

B. Calculating the Contract Value

The value of the contract is the total value paid to the supplier over the whole life of the contract (not just the first year).

Do not include VAT when calculating the contract value.

For example,

If purchasing a computer system which costs £40,000 in year 1 and £8,000 per year for years 2 to 4 then the total value of the contract is £64,000 and committee approval is required.

If purchasing goods from a supplier with whom we do not have a current contract of £5,000 in year 1 and £6,000 thereafter then the total value of the contract is £11,000 and four quotes must be sought. The total amount of money to be spent on a particular project or range of goods or services must be totalled to provide the overall value.

Purchase orders or contracts should not be split in order to influence the procurement procedures which need to be followed or to avoid compliance with financial regulations.

C. Approval Limits

A minimum of one written quotation must be sought for purchases under £10,000 where there is no current contract or framework agreement with supplier(s). In addition the procuring officer must be able to demonstrate the route adopted represents best value.

Four written quotations must be sought for contract values between £10,000 and £49,999 inclusive.

Approval to tender and purchase works, goods or services for £50,000 and over but less than the Committee Threshold must be obtained from a Chief Officer.

Approval to tender and purchase works, goods or services equal to or over the Committee Threshold must be obtained from the relevant Area or Policy Committee.

Contract Value*	Requirement**	Approval
Less than £10,000	A minimum of 1 written quote and demonstration that procurement route represents best value.	Chief Officer
£10,000 - £49,999	4 competitive written quotations.	Chief Officer
£50,000 - Committee Threshold	Competitive Tender Procedure – follow Procurement Journey.	Chief Officer
Committee Threshold and over	Competitive Tender Procedure – follow Procurement Journey.	Relevant Committee

*total value paid to the supplier/received by the Council over the whole life of the contract

**if internal supplier or current contracted/framework supplier exist these must used.

D. Raising a Purchase Order

A purchase order must be raised for all goods or services unless a dispensation has been received from the Head of Finance.

An authorised signatory form must be completed and sent to the Head of Finance for each person who authorises a purchase order.

Only those officers at Head of Service level or above can approve purchase orders greater than £50,000.

E. What is a Contract?

A contract is an agreement with specific terms between two or more persons or entities in which there is a promise to do something in return for a valuable benefit known as consideration.

Contracts can be either written or oral. There is no minimum monetary value required for a contract to exist. A purchase order represents a contract.

F. Identifying Central Contracts

A register of contracts is maintained by the Head of Commercial and Procurement Services.

G. Demonstrating Best Value in Accordance with 5.3.13

Where the total value of the contract is estimated to be less than £10,000 over the term of the purchase/contract the procuring officer must obtain a minimum of one written quote and be able to demonstrate that best value has been achieved. Best value can be demonstrated by for example:

- Securing 4 competitive quotes,
- Referring previous experience of the procuring items, or
- Previous examples of items procured.