

Standard Financial Instructions

[Note: the following Standard Financial Instructions were formally approved by the County Council when adopting this Constitution for the first time. Future amendments to these Instructions will be made either by the full Council or Corporate Governance Committee under the authority given by Rule 1(b) of the Financial Procedure Rules. Although, unlike the Constitution itself, these Instructions do not require formal approval of the County Council, they are nevertheless included here for the sake of completeness and will be updated as necessary, to reflect any amendments made.]

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Standard Financial Instructions
 (made under Rule 1(b) of the Financial Procedure Rules)

INSTRUCTION 1
Capital - expenditure in excess of approved amount

- (a) Where a specific approval given in the capital programme is likely to be exceeded additional approval must be sought by the appropriate chief officer from the Executive.
- (b) The Director of Corporate Resources may approve increases in expenditure where compensating savings are being made and there is no change in policy. In any particular instance, the Director of Corporate Resources may decline to give approval and instead refer the proposal to the Executive.
- (c) Where not already included in the capital programme, proposed bids for external capital funding must be agreed by the Director of Corporate Resources. Increases relating to schemes where the increase is to be funded in full by external contributions with no revenue implications or where these can be met from existing budgets may be approved by the Director of Corporate Resources. Where the project is not fully externally funded or there are revenue implications the approval of the Director of Corporate Resources or Executive is required as appropriate.

INSTRUCTION 2
Capital - substitution

Following consultation with the Director of Corporate Resources the appropriate chief officer may make written recommendations to the Executive that it substitute items of capital expenditure. This may only be done if the capital expenditure of the department and the resulting revenue costs are not increased. Substitutions of up to £100,000 may be approved by the Director of Corporate Resources.

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¶
<#>Where not already included in the capital programme, proposed bids for external capital funding greater than £250,000 must be agreed by the Executive. In other cases they may be agreed by the Director of Corporate Resources. Increases relating to schemes where the increase is to be funded in full by external contributions with no revenue implications or where these can be met from existing budgets may be approved by the Director of Corporate Resources. Where the project is not fully externally funded or there are revenue implications the approval of the Director of Corporate Resources or Executive is required as appropriate.¶
Deleted: INSTRUCTION 2¶
Capital - reserve schemes¶
¶ Reserve schemes previously approved by the Executive can be brought into the programme by the relevant chief officer in the event of savings or slippage so long as the level of commitments into following years' programmes does not exceed 50% of the guidelines set for the year in question and revenue costs are not increased
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INSTRUCTION 3
Revenue - virement

- (a) In order to maintain effective and responsive services to meet the needs of the people of the County it is acknowledged that spending on individual budget heads may vary from the approved budget. This is permissible (subject to (b) and (c) below) so long as the total departmental budget is not exceeded.
- (b) Virement (either between individual lines or sections of the approved budget) is allowed except where it would involve:-
- i. a change in an existing policy;
 - ii. a reduction in service;
 - iii. on-going net costs which might not be containable; or
 - iv. funding capital expenditure from revenue (except for the Central Maintenance Fund, highways maintenance and exceptions agreed by the Executive).
- The above will require the prior approval of the Executive, may constitute a Key Decision and may require the approval of the County Council. The Executive may consult the Chairman of the Scrutiny Commission if it considers that the nature of the proposal is such that the views of an overview and scrutiny committee should be canvassed.
- (c) Before submitting a virement proposal which falls under (b) above to the Executive for approval, the chief officer shall consult the Director of Corporate Resources and shall include in his or her report to the Executive the justification for the change in priorities and any comments of the Director of Corporate Resources. If the expenditure proposal is for longer than the current financial year, the chief officer must demonstrate that the proposed corresponding saving will also be continuing. This change will then be built into the ongoing budget."

INSTRUCTION 4
Revenue - supplementary estimates

- (a) A supplementary estimate approval means that not only do individual budget approvals increase, but the total approved departmental budget increases. Requests must be approved by the Executive. The Director of Corporate Resources must be consulted before a report written by the chief officer is submitted to the Executive.
- (b) Requests should result only from new legislation or other unforeseen and exceptional circumstances. Chief officers would be expected to show virement is not available to fund the proposal. Supplementary estimates may be approved but budget adjustments deferred whilst it becomes

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¶
¶ a change in an existing policy;
¶ a transfer from specific growth items approved for the financial year in question;
¶ a reduction in service;
¶ a transfer from front-line services to administration;
¶ a departmental budget which is forecast to overspend;
¶ on-going net costs which might not be containable; or
¶ funding capital expenditure from revenue (except for the Central Maintenance Fund, highways maintenance and exceptions agreed by the Executive)
¶ shall require the prior approval of the Executive, may constitute a Key Decision and may require the approval of the County Council. The Executive may consult the Chairman of the Scrutiny Commission if it considers that the nature of the proposal is such that the views of an overview and scrutiny committee should be canvassed.
¶

In order to maintain effective and responsive services to meet the needs of the people of the County;
¶
¶ subject to paragraph (a) above, budget allocations may be adjusted freely within a single section of an approved departmental budget; and
¶ subject to paragraphs (a) above and (c) to (e) below, budget allocations may be transferred through virement from one section of an approved departmental budget to another;
¶
¶ by a chief officer, after ... [4]

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clearer whether costs can be met from elsewhere within the relevant budget.

- (c) No expenditure should be committed prior to Executive approval.

INSTRUCTION 5
Contracts

- (a) All contracts should be dealt with in accordance with the Contract Procedure Rules set out in Part 4G of the Council's Constitution.

Capital Contracts

- (b) The appropriate chief officer will be responsible for the maintenance of all financial as well as technical records for contracts of a capital nature.
- (c) Where building, construction or other capital contracts provide for payment to be made by instalments on the certificate issued by an authorised officer, the records must show the state of account on each contract between the County Council and the contractor together with other payments and related professional fees.
- (d) Payments to contractors in respect of all contracts must be authorised only by a certificate signed by the person made responsible by the contract for issuing such certificates (i.e. "the Certifying Officer" or authorised deputy). In the case of Private Architects, Quantity Surveyors, Engineers or Consultants, certificates must be countersigned as to validity by the appropriate chief officer who appointed them. The form of the certificate must be agreed by the Director of Corporate Resources. The Certifying Officer will be responsible for the correct certification of all aspects of contract payments and for ensuring the correct completion of all associated contract documentation.
- (e) The Certifying Officer will ensure that all contract documentation is properly completed before the contractors final account is paid.
- (f) Prior to issue of final certificates the Director of Corporate Resources will, to the extent he or she considers necessary, audit accounts for contracts. He or she will be entitled to make all such enquiries and receive such information and explanations as he or she may require in order to satisfy himself or herself as to the accuracy of the accounts.
- (g) Chief officers should actively try to promote an agreement with contractors on outstanding issues, where work was completed over two years ago.
- (h) Claims from contractors in respect of matters not clearly within the terms of any existing contract must be referred to the County Solicitor for

consideration of the Council's legal liability before a settlement is reached. The Director of Corporate Resources must also be informed of the amount of such claims before final settlement to enable him or her to consider the financial implications.

- (i) Where completion of a contract is delayed beyond the due date for completion by more than one-sixth of the contract period, it will be the duty of the responsible officer under the contract, after consultation with the County Solicitor and spending department, to take appropriate action in respect of any claim for liquidated damages. The responsible officer may decide that liquidated damages should not be applied. This should be reported to the Executive subject to any guidelines set down by the Executive.

Professional Fees

- (j) Where staff are not charged to projects on a fee basis, the appropriate chief officers will supply the Director of Corporate Resources with details of the cost of staff and private consultants employed on capital work.
- (k) In all cases an agreement with a private firm or individual shall require them to comply with the Contract Procedure Rules (Part 4G), and to give the same facilities to the Director of Corporate Resources as required of chief officers of the Council by its instructions and procedures.
- (l) Where private consultants are to supervise work, the contracting chief officer is responsible for ensuring that he or she receives regular written reports covering the physical and financial progress of that work and for taking any appropriate action on the basis of progress reports.

INSTRUCTION 6

Orders for work, goods and services

- (a) Orders for work, goods and services must not be placed unless the expenditure to be incurred is in accordance with the Financial Procedure Rules and these Instructions.
- (b) Orders on official forms must be issued for all work, goods and services to be supplied to the County Council, except for supplies of public utility services such as gas, electricity and water, for periodical payments such as rent and rates, for petty cash purchases for Procurement Card and e-procurement transactions allowed under the scheme approved by the Director of Corporate Resources, or for such other exceptions as the Director of Corporate Resources may approve.
- (c) Where urgent orders are given orally they must be confirmed by a written official order not later than the next working day following the day in which

Deleted: INSTRUCTION 6¶
Revenue - revised budgets¶

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Note: Instruction 6 became redundant upon the adoption by the County Council of the practice of preparing budgets on the basis of outturn prices.¶

Deleted: INSTRUCTION 7¶
Revenue - carry forward of over or under spendings¶

¶
(a). The Executive may authorise adjustments in a department's current year's budgets for underspendings or overspendings incurred in the previous financial year.¶

¶
(b). The Director of Corporate Resources may agree the carry forward of an underspending on all budgets subject to any guidelines laid down by the Executive. He or she may do this only when the total departmental budget is underspent by more than the requested carry forward.¶

¶
(c). Within an approved budget line special rules may apply to carrying forward over or underspendings. An example of these is local management of schools. The relevant Guidance Manuals will include the limits on types of carry forwards.¶

¶
Note on Guidelines: The Cabinet at its meeting on 27 June 2006 agreed that the Director of Corporate Resources should be allowed to approve carry forwards where the money is to be spent for the purpose for which it was originally allocated in the budget. Where the carry forward is to be used for a different purpose (i.e. effectively comprising virement) the Director of Corporate Resources should be allowed to approve items up to £100,000 with the following exceptions, where Cabinet approval is required:-¶

¶
<#>Where a carry forward would result in an overspending position on the department's budget¶
<#>where a carry forward would represent a change in existing policy¶
<#>where ongoing costs might result.¶

¶
INSTRUCTION 8¶ ... [5]

the oral order is given. Confirmation orders should be clearly marked as confirmation only.

- (d) Some agreements or contracts for goods or services provide for payment by instalments. To show the state of the accounts of each such agreement or contract, the appropriate chief officer will ensure such records are maintained in a manner agreed with the Director of Corporate Resources.
- (e) Official order forms will be supplied by the Director of Corporate Resources unless he or she has agreed in particular cases to the use of other forms for specific classes of transaction. ~~Orders must be authorised only by officers designated by the appropriate chief officer who will maintain a list of officers authorised to sign on his or her behalf.~~ Before placing an order the certifying officer must satisfy himself or herself that this would be proper expenditure and would be within the appropriate approved estimate. To provide segregation of duties at as early a stage as possible, it is recommended that a second officer should be responsible for making out the order.
- (f) The chief officer of each department will be responsible for ensuring the validity of all orders issued, the control and safe custody of all official order books issued to him or her, and obtaining alternative quotations or tenders as required before orders are placed. He or she will also be responsible for ensuring that the expenditure being incurred can be met from the approved estimates.
- (g) Departments must obtain goods, works or services in a manner and from sources which demonstrate best value for money. In the case of goods this will usually mean obtaining supplies through ESPO unless cheaper alternatives of comparable quality are available and ESPO are unable to match these terms.

Deleted: Orders must be signed only by officers authorised by the appropriate chief officer who will maintain a list of officers authorised to sign on his or her behalf

INSTRUCTION 7

Payments of invoices and claims

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- (a) ~~Invoices should be on suppliers printed forms except where alternative arrangements have been agreed by the Director of Corporate Resources.~~ The Director of Corporate Resources is authorised to make all payments as they become due out of the General County Fund, its subsidiary accounts, and the Pension Fund. The system within spending departments should ensure that expenditure has been certified by an officer authorised by the chief officer.
- (b) Invoices should be on suppliers printed forms. These and internal claims for payment shall be checked, initialled and certified in the appropriate departments and establishments in accordance with arrangements agreed with the Director of Corporate Resources before payment is made.

Deleted: The Director of Corporate Resources will approve payment procedures with each chief officer

- (c) The chief officers will ensure that a list of officers authorised to certify accounts is maintained. The verification and certification of accounts must be in accordance with instructions issued by the Director of Corporate Resources.
- (d) Before certifying an invoice or claim the certifying officer must satisfy himself or herself that it is allocated to the correct expenditure head.
- (e) The Director of Corporate Resources will examine, so far as he or she considers necessary, invoices and claims passed for payment and he or she will be entitled to receive such information and explanations as he or she may require. For this purpose all books and documents relating to the payment must be placed at his or her disposal.
- (f) The duties of ordering and receiving goods and services, and certifying invoices and claims for payments, must not be performed by one and the same officer (subject to the Director of Corporate Resources being informed where such a division of duties is not possible).
- (g) All claims for the payment of vehicle and subsistence allowances, travelling and incidental expenses, must be certified and submitted to the Director of Corporate Resources. These will be on a form approved by him or her, unless alternative arrangements have been agreed by him or her. Claims must be submitted promptly each month for the preceding month. Travel and subsistence claims which are for a period over 6 months old will not be paid unless there are extenuating circumstances.
- (h) Where the Director of Corporate Resources considers it appropriate he or she will call the attention of the chief officer and, if necessary, the Executive to any item which has been passed for payment. He or she will also report to the Executive on any such item which he or she considers for any good reason should not be paid.
- (i) Schools operating under Local Management are subject to specific regulations. These are contained in the LMS Scheme of Delegation.

INSTRUCTION 8
Imprest accounts and Procurement Cards

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- (a) The Director of Corporate Resources may in consultation with the appropriate chief officer, provide imprest accounts where necessary for defraying petty cash and other minor expenses. Persons responsible must maintain a record of their receipts and payments in the form and manner prescribed by the Director of Corporate Resources.
- (b) The Director of Corporate Resources may in consultation with the appropriate Chief Officer, provide Procurement Cards (pCards) where the type of spend or the practicalities preclude the purchaser from using the

Part 4F

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Council's usual ordering and invoicing processes in an efficient way. Persons responsible must ensure the pCards are only used in accordance with the Council's scheme, for the approved purposes of the department and that appropriate records are maintained.

- (c) The Director of Corporate Resources may issue instructions as to the type and level of expenditure which should be met out of the imprest account or with pCards. Such expenditure must be supported by receipted vouchers to the extent that the Director of Corporate Resources may require.
- (d) The holder of the pCard will be responsible for all transactions performed with their assigned card and must support the scheme administrators in the resolution of queried transactions. The card holder is additionally responsible for providing supplementary information required under the scheme to support VAT claims and updates to the Council's financial systems. Chief Officers are required to ensure monitoring is in place to verify that pCards within their department are used in accordance with the Council's scheme.
- (e) An official subsidiary bank account will be opened by the Director of Corporate Resources in cases where he or she considers this to be necessary. Where such a bank account is opened in no circumstances will an overdraft be allowed.
- (f) Chief officers must arrange for the Director of Corporate Resources or his or her authorised representative to be notified as early as possible whenever a person holding an imprest account ceases to be responsible for the account. The name of the new holder will be similarly notified when this is known. Equally the Director of Corporate Resources must be notified when a pCard holder leaves the Council or transfers between cost centres to allow withdrawal or amendment of the pCard as appropriate.
- (g) No income received on behalf of the Council, other than the reimbursement received from the Director of Corporate Resources, may be paid into an imprest account without prior consent of the Director of Corporate Resources. Income must be banked separately or paid to the County Council as described elsewhere in these procedures.
- (h) pCards and imprest accounts are provided to allow officers to carry out their Council duties in a more efficient manner and are not provided for personal use. Specifically postal orders or personal or other cheques must not be cashed from monies held in an imprest account. Personal loans must not be made from such accounts, nor should loans be made to unofficial funds. Any accidental use must be reported to the Budget Holder and Director of Corporate Resources as soon as it is discovered and LCC reimbursed.

- (i) Reimbursement of monies spent should be made by the Director of Corporate Resources, except where he or she agrees to provide payments on account. In all cases imprest accounts will be made up to 31 March each year, subject to any exceptions agreed by the Director of Corporate Resources. The Director of Corporate Resources will determine the method of payment to settle the outstanding balances on pCards.

INSTRUCTION 9***Stocktaking and consequential action***

Deleted: 22

- (a) Stocks and stores records must be kept in such cases and in a form as may be agreed by the chief officer or his or her authorised representative with the Director of Corporate Resources. There must be a complete independent stocktaking i.e. not carried out by the storekeeper or his or her staff, at least once in every financial year. The exception to this is where continuous stocktaking arrangements, agreed with the Director of Corporate Resources, are operating. Test checks will also be made from time to time.
- (b) The value of stocks held at 31 March each year must be certified by the appropriate chief officer or his or her authorised representative and supplied to the Director of Corporate Resources.
- (c) Surpluses or deficiencies revealed during any one stocktaking can be adjusted up to a net book value of £1,000 on the authority of the relevant chief officer or his or her authorised representative. Above this amount surpluses or deficiencies must be reported to the Director of Corporate Resources who can approve write-offs or adjustments. The Director of Corporate Resources will have the right to report any write-off or adjustment to the Executive if he or she considers this appropriate.
- (d) Surplus or obsolete items of stocks and stores up to a total book value of £1,000 at any one time may be disposed of by a chief officer or his or her authorised representative. Where the book value is over this figure but the resale value is considered to be below this, the chief officer should arrange for a suitably qualified second person to give a written confirmation of the valuation prior to disposal. Where the estimated resale value is above £1,000, the agreement of the Director of Corporate Resources is necessary and, wherever appropriate, disposal will be by competitive quotation or tender. A record should be kept of all details relating to disposals.

INSTRUCTION 10***Inventories and consequential action***

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- (a) Items costing over £250 should be included on an inventory. Additionally, lower value attractive and portable items should be included, subject to a minimum value of £50. All inventories will be kept in a form approved by the Director of Corporate Resources. Where a computerised inventory is being proposed, its method of operation should conform to standards set down by the Director of Corporate Resources.
- (b) Each chief officer will be responsible for ensuring that an annual check of all items on the inventory is carried out and for taking action after consultation with the Director of Corporate Resources in relation to any surpluses or deficiencies and noting the inventory accordingly. Deficiencies due to irregularity should be reported to Executive, if the Director of Corporate Resources considers this appropriate.
- (c) The Director of Corporate Resources or his or her representative may at all reasonable times have access to all property of the Council and may make such checks and tests as he or she deems reasonable.
- (d) The Council's property must not be removed from County Council premises except in the ordinary course of the Council's business, or used otherwise than for the Council's purposes except in accordance with specific directions issued by the chief officer or his or her authorised representative and agreed by the Director of Corporate Resources. A record of such removals will be maintained at the establishment concerned.
- (e) Surplus or obsolete items of any one commodity up to a total book value at any one time of £1,000 may be disposed of by a chief officer or his or her authorised representative. Where the book value is over this figure but the resale value is considered to be below this, the chief officer should arrange for a suitably qualified second person to give a written confirmation of the valuation prior to disposal. Where the estimated resale value is above £1,000, the agreement of the Director of Corporate Resources is necessary and whenever appropriate disposal will be by competitive quotation or tender. A record should be kept of all details relating to disposals.
- (f) Chief officers or their authorised representatives should follow standard corporate procedures for the redistribution, sale or disposal of surplus items of computer and ICT equipment. These procedures will be prepared by the Head of ICT, with the agreement of the Director of Corporate Resources.

INSTRUCTION 11
Income records

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- (a) The collection of all monies due to the Council including income from trading activities, should be under the control of the Director of Corporate

Resources. He or she will require that all monies due are promptly recorded and all monies are promptly banked.

- (b) The records kept by each department relating to income will be in such form as may be approved by the Director of Corporate Resources.
- (c) All official receipt forms, receipt books, tickets and other documents of a similar nature will be ordered, controlled by, and issued by the Director of Corporate Resources unless he or she has agreed alternative arrangements. Every issue of any such document should be authorised by the chief officer of the department concerned or his or her nominated officer and acknowledged by the signature of the employee receiving the document.
- (d) No employee or agent shall give a receipt for money received on behalf of the Council on any form other than an official receipt form.
- (e) Chief officers of departments will designate and maintain a list of employees as accounting officers for the purpose of receiving monies due to the Council. These employees must maintain a record of their receipts and bankings in the form and manner prescribed by the Director of Corporate Resources. The Director of Corporate Resources will issue instructions regarding the frequency of deposit either with himself or herself or by payment into a bank account or Giro Bank.
- (f) In accordance with the Accounts and Audit Regulations, each officer paying money into a bank account of the County Council must show on the paying slip the amount of each cheque paid in and sufficient information to identify the individual transaction, e.g. receipt number, name of debtor.
- (g) Monies received by an accounting officer will be banked intact and must not be used to meet expenditure or to cash postal orders or personal or other cheques.
- (h) Chief officers should ensure that all grants and external funding income is promptly claimed and proper records and working papers are retained to justify claims.

INSTRUCTION 12
Write-offs

Deleted: 25

- (a) An amount due to the County Council must only be discharged by payment or by write-off in accordance with the following system.
- (b) Amounts up to £5,000 in any one case may be written-off by the Director of Corporate Resources with the agreement of the chief officer of the department concerned. In special categories of write-offs, such as library

issues, the Director of Corporate Resources may authorise the chief officer to write-off debts on his or her behalf.

- (c) Amounts over £5,000 in any one case may be written-off by the Director of Corporate Resources in consultation with the Leader and Deputy Leader (if one has been appointed) or their nominees.
- (d) The Director of Corporate Resources will have the right to report any write-off to the Executive if he considers this appropriate.

INSTRUCTION 13
Review of charges

Deleted: 26

- (a) The chief officer of each department shall ensure that all charges for County Council services are reviewed at least annually at the time of the preparation of the budget. Rents should be reviewed at least triennially unless they are subject to any longer review period under the terms of the rental agreement.
- (b) Chief officers will be free to decide on detailed pricing for outside work, though they must seek to make a profit on all such activity. Where services are supplied to an internal user, any charges should not, as a matter of principle, seek to make a profit.
- (c) Where it is proposed to introduce, revise, or discontinue a scale of charges, the Director of Corporate Resources should be consulted before the proposal is progressed. Where increases are proposed in line with increases in the cost of living these may be approved by the chief officer concerned in consultation with the Director of Corporate Resources and appropriate Executive Lead Members. Authority to agree changes in charges otherwise than set out above may be delegated to the Director of Corporate Resources subject to guidelines laid down by the Executive.

INSTRUCTION 14
Banking arrangements

Deleted: 27

- (a) Arrangements with regard to the County Council's bank accounts, including Giro Bank accounts, will be made by the Director of Corporate Resources.
- (b) Cheques, except those used by imprest accounts, will be ordered and controlled by the Director of Corporate Resources who will make proper arrangements for the safe custody of blank cheques and the preparation, signing and despatch of cheques.
- (c) All County Council bank accounts, including imprest accounts, must include "Leicestershire County Council" in their titles and in no

circumstances must an account be opened in the name of an individual or individual establishment. Special arrangements may be made by schools under specific legislation.

- (d) Cheques drawn will bear the pre-printed signature of the Director of Corporate Resources, or be signed by the Director of Corporate Resources, or by an employee duly authorised by the Director of Corporate Resources.
- (e) Schools that operate the Extended Bank Account Scheme are subject to specific regulations. These are contained within that Scheme's manual for guidance.

INSTRUCTION 15***Salaries, wages and pensions***

Deleted: 28

- (a) The payment of all salaries, wages, pensions, compensation and other emoluments will be made by the Director of Corporate Resources or under arrangements approved and controlled by him or her.
- (b) Chief officers will arrange for the Director of Corporate Resources to be notified as early as possible, and in the form prescribed by him or her, of all matters affecting the payment of items referred to paragraph (a) above and in particular:
 - (i) appointments, resignations, dismissals, suspensions, secondments and transfers;
 - (ii) absences from duty for sickness or other reason, apart from approved leave;
 - (iii) changes in remuneration, other than normal increments and pay awards and agreements generally applied; and
 - (iv) information necessary to maintain records of service for superannuation, income tax and national insurance.
- (c) Tax, superannuation, national insurance and all other deductions from pay and related matters must be Director of Corporate Resources.
- (d) All time records or other documents relating to salaries and wages will be in a form prescribed or approved by the Director of Corporate Resources and shall be checked and authorised in appropriate establishments or departments. They should be signed by or on behalf of the chief officer. The Director of Corporate Resources will provide periodic print-outs of employees' pay details to establishments/departments to provide a means of verifying the accuracy of the pay records.
- (e) Director of Corporate Resources on proposed payments to non-staff members which may require the County Council to deduct tax.

INSTRUCTION 16
Insurance of risks

Deleted: 29

- (a) Chief officers will arrange that the Director of Corporate Resources is notified promptly of all new risks, properties, plant or vehicles which require to be insured. He or she should indicate the amount of cover required and of any alterations required to existing insurances.
- (b) Chief officers will arrange that the Director of Corporate Resources is notified immediately in writing of any fire, loss, liability or damage, or any event likely to lead to a claim.
- (c) Chief officers must obtain the prior approval of the Director of Corporate Resources and the County Solicitor to the terms of any indemnity which the County Council is requested to give.
- (d) A chief officer may, at his or her own discretion, arrange to provide insurance cover against risks not normally covered by the County Council as a whole. Such cover must be arranged via the Director of Corporate Resources.

INSTRUCTION 17
Security of assets

Deleted: 30

- (a) Each chief officer is responsible for ensuring that arrangements are made for maintaining proper security at all times for all buildings, stocks, stores, furniture, equipment, cash, etc. under his or her control. He or she will consult the Chief Constable and the Director of Corporate Resources in any case where security is thought to be defective or where it is considered that special security arrangements may be needed.
- (b) Maximum limits for cash holdings will be agreed with the Director of Corporate Resources and must not be exceeded without his or her express permission.
- (c) Safes must be kept locked and the key removed. The chief officer concerned must ensure that arrangements are made for the safe custody of keys to safes and similar receptacles. The loss of any such keys must be reported to the Director of Corporate Resources immediately.

INSTRUCTION 18
Unofficial funds

Deleted: 31

- (a) Where an employee of the County Council, by reason of his or her employment with the County Council, has any responsibility for a fund

other than an official fund, this is deemed to be an unofficial fund under this Rule. It should be the responsibility of each chief officer to be aware of the existence of all unofficial funds involving employees under his or her control, and to arrange for a regular review of the completeness and accuracy of records and arrangements.

- (b) The chief officer will agree with the Director of Corporate Resources the type and extent of audit required for each particular fund, after taking into account the nature of activities covered, and the degree of risk. In no circumstances must unofficial monies be mixed in with official receipts for the County Council. Where several unofficial funds are kept by the same officer, the funds should always be separate and readily identifiable.

INSTRUCTION 19
Private property

Deleted: 32

The Director of Corporate Resources shall, in conjunction with the appropriate chief officer and the County Solicitor, prescribe rules for the protection of private property of individuals who are in the care of the County Council.

INSTRUCTION 20
Schools and Fair Funding Regulations

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- (a) The 1998 Fair Funding Regulations allow governors of schools to determine their own arrangements for payroll, ordering and payments to supplier, the collection of income and banking.
- (b) The Regulations also confirm the Director of Corporate Resources' overall responsibility for ensuring that arrangements for the proper administration of the school's financial affairs are in place.
- (c) When undertaking this role, the Director of Corporate Resources will wish to be assured that the Standard Financial Instructions outlined in the document are in place. He or she will also wish to be assured that the financial requirements on schools contained in the LMS Scheme of Delegation are being carried out.

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Virement (either between individual lines or sections of the approved budget) which would involve:

- a change in an existing policy;
- a transfer from specific growth items approved for the financial year in question;
- a reduction in service;
- a transfer from front-line services to administration;
- a departmental budget which is forecast to overspend;
- on-going net costs which might not be containable; or
- funding capital expenditure from revenue (except for the Central Maintenance Fund, highways maintenance and exceptions agreed by the Executive)

shall require the prior approval of the Executive, may constitute a Key Decision and may require the approval of the County Council. The Executive may consult the Chairman of the Scrutiny Commission if it considers that the nature of the proposal is such that the views of an overview and scrutiny committee should be canvassed.

In order to maintain effective and responsive services to meet the needs of the people of the County:

- subject to paragraph (a) above, budget allocations may be adjusted freely within a single section of an approved departmental budget; and
- subject to paragraphs (a) above and (c) to (c) below, budget allocations may be transferred through virement from one section of an approved departmental budget to another;

by a chief officer, after consultation with the Director of Corporate Resources, so long as the total departmental budget does not increase.

Where a virement proposal would not fall within paragraph (a) above but would nevertheless involve an increase or decrease in the section of the approved

departmental budget by more than £50,000 or 5% (whichever is the lesser), that proposal shall require the prior approval of the Executive.

Before submitting a virement proposal to the Executive for approval, the chief officer shall consult the Director of Corporate Resources and shall include in his or her report to the Executive the justification for the change in priorities and any comments of the Director of Corporate Resources. If the expenditure proposal is for longer than the current financial year, the chief officer must demonstrate that the proposed corresponding saving will also be continuing. This change will then be built into the ongoing budget.

[Note: For the purpose of the virement provisions of instruction 4(b) of these Standard Financial Instructions and the definition of a Key Decision described in Rule 8(a)(vi) of the Executive Procedure Rules in Part 4D, the terms "Section of an approved departmental budget" and "the prescribed section of the budget" mean the primary departmental budget subheadings as set out in the County Council budget booklet]

INSTRUCTION 7

Revenue - carry forward of over or underspendings

- (a) The Executive may authorise adjustments in a department's current year's budgets for underspendings or overspendings incurred in the previous financial year.
- (b) The Director of Corporate Resources may agree the carry forward of an underspending on all budgets subject to any guidelines laid down by the Executive. He or she may do this only when the total departmental budget is underspent by more than the requested carry forward.
- (c) Within an approved budget line special rules may apply to carrying forward over or underspendings. An example of these is local management of schools. The relevant Guidance Manuals will include the limits on types of carry forwards.

[Note on Guidelines: The Cabinet at its meeting on 27 June 2006 agreed that the Director of Corporate Resources should be allowed to approve carry forwards where the money is to be spent for the purpose for which it was originally allocated in the budget. Where the carry forward is to be used for a different purpose (i.e. effectively comprising virement) the Director of Corporate Resources should be allowed to approve items up to £100,000 with the following exceptions, where Cabinet approval is required:-

*Where a carry forward would result in an overspending position on the department's budget
where a carry forward would represent a change in existing policy
where ongoing costs might result.]*

INSTRUCTION 8

Reference to Contract Procedure Rules and European Union regulations

Before entering into a contract reference should be made to the County Council's Contract Procedure Rules in Part 4G of the Constitution. In particular, the contract conditions shall state the price and any discount offered by the contractor.

Reference to European Union regulations on contracts should also be made for contracts considered to exceed the stipulated values. *[Note: These are currently €0.2m (euros) for services and supplies and €5m (euros) for works contracts.]*

INSTRUCTION 9

Contract records

The contracting chief officer will be responsible for the maintenance of all financial as well as technical records for contracts of a capital nature.

Where building, construction or other capital contracts provide for payment to be made by instalments on the certificate issued by an authorised officer, the records must show the state of account on each contract between the County Council and the contractor together with other payments and related professional fees.

INSTRUCTION 10

Acceptance of tender

- (a) Rules on acceptance of tenders are contained in the General Scheme of Delegation to Heads of Departments.
- (b) Based on criteria laid down by the Executive, the Director of Corporate Resources will be responsible for evaluating the financial status of potential contractors.
- (c) Where a chief officer wishes to accept a tender that is not the lowest, he or she is required to obtain approval from the Executive as provided for in the General Scheme of Delegation to Heads of Departments. This is subject to the Director of Corporate Resources being authorised to approve differences where a tender is less than £100,000 or where the difference between the lowest tender and that which it is proposed to accept is less than 1%. A chief officer shall consult the Director of Corporate Resources where he or she wishes to include additional costs over and above the tender price submitted by the contractor in the comparison of tendered amounts.

INSTRUCTION 11

Commencement of contract

Except after consultation with the County Solicitor, work must not be authorised to commence or goods to be supplied where such work or goods are to be the subject of a contract under seal entered into between the County Council and the contractor, until the County Solicitor has advised that the contract has been signed by the contractor.

INSTRUCTION 12

Variation of contract

Every extra or variation on a contract must be authorised in writing by the appropriate chief officer or Private Architect, Engineer, or Consultant authorised to do so.

This authorisation must be issued before the work is carried out, or in the case of an emergency immediately thereafter.

On capital contracts where the individual or cumulative impact of any extras or variations exceed the amount of the accepted tender by £50,000 or by 5% of the total value of the contract (whichever is the higher), the prior approval of the Executive must be obtained. These amounts are over and above any sums allowed in the accepted tender for contingencies. The General Scheme of Delegation to Heads of Departments (decision-making between meetings) enables approvals to be given by chief officers, after consulting the Leader and the Deputy Leader (or their nominees) between meetings in urgent cases. Where the extras or variations have to be dealt with as an emergency, the work may be carried out subject to a report being made to the Executive as soon as practicable.

If any substantial work not provided in the capital contract is contemplated then the Executive must be informed as soon as practicable, even if the cost of such additional work can be met from the amount authorised for the project in the capital programme. The Director of Corporate Resources will agree with the relevant department what is substantial in this context.

INSTRUCTION 13

Interim payments and final accounts

Payments to contractors in respect of all contracts must be authorised only by a certificate signed by the person made responsible by the contract for issuing such certificates (i.e. "the Certifying Officer" or authorised deputy). In the case of

Private Architects, Quantity Surveyors, Engineers or Consultants, certificates must be countersigned as to validity by the appropriate chief officer who appointed them. The form of the certificate must be agreed by the Director of Corporate Resources. The Certifying Officer will be responsible for the correct certification of all aspects of contract payments and for ensuring the correct completion of all associated contract documentation.

The Certifying Officer will ensure that all contract documentation is properly completed before the contractors final account is paid.

INSTRUCTION 14

Audit and payment of accounts

Prior to issue of final certificates the Director of Corporate Resources will, to the extent he or she considers necessary, audit accounts for contracts. He or she will be entitled to make all such enquiries and receive such information and explanations as he or she may require in order to satisfy himself or herself as to the accuracy of the accounts.

Chief officers should actively try to promote an agreement with contractors on outstanding issues, where work was completed over two years ago.

Claims from contractors in respect of matters not clearly within the terms of any existing contract must be referred to the County Solicitor for consideration of the Council's legal liability before a settlement is reached. The Director of Corporate Resources must also be informed of the amount of such claims before final settlement to enable him or her to consider the financial implications.

Where completion of a contract is delayed beyond the due date for completion by more than one-sixth of the contract period, it will be the duty of the responsible officer under the contract, after consultation with the County Solicitor and spending department, to take appropriate action in respect of any claim for liquidated damages. The responsible officer may decide that liquidated damages should not be applied. This should be reported to the Executive subject to any guidelines set down by the Executive.

INSTRUCTION 15

Defaults by contractors

Where appropriate the contracting chief officer shall ensure that the contract documents include a definition of the circumstances that will be considered to

constitute a default on the terms of the contract by the contractor. The contract documents must provide for notice of default to be given to the contractor and for any resulting losses to be recovered from the contractor if the default is not rectified.

The contracting chief officer shall decide whether it is necessary to require contractors to provide a Performance Bond with a third party. The need for this will depend on an assessment of the risk associated with the contract or the contractor.

INSTRUCTION 16

Revenue contracts

Contracts for building and civil engineering works financed from the revenue budget should comply with these Standard Financial Instructions except that variations will be governed by revenue budget procedures.

INSTRUCTION 17

Insurance and VAT

Where appropriate, the contracting chief officer should ensure that the contract documentation provides for the contractor to have an insurance policy, which can be inspected during the contract period. The Director of Corporate Resources shall be consulted on the insurance requirements.

The Director of Corporate Resources must be consulted on the appropriate VAT requirements of any new form of contract, either capital or revenue, being drawn up.

INSTRUCTION 18

Professional fees

Where staff are not charged to projects on a fee basis, the appropriate chief officers will supply the Director of Corporate Resources with details of the cost of staff and private consultants employed on capital work.

In all cases an agreement with a private firm or individual shall require them to comply with the Contract Procedure Rules (Part 4G), and to give the same facilities to the Director of Corporate Resources as required of chief officers of the Council by its instructions and procedures.

Where private consultants are to supervise work, the contracting chief officer is responsible for ensuring that he or she receives regular written reports covering the physical and financial progress of that work and for taking any appropriate action on the basis of progress reports.

INSTRUCTION 19

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