STATES OF GUERNSEY

RULES FOR FINANCIAL AND RESOURCE MANAGEMENT

The updated version of this document is available on the States Internet and Intranet

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Introduction, Framework and Scope

Introduction

The States Rules for Financial and Resource Management have been prepared by the Treasury and Resources Department in accordance with its mandate[1], which includes the allocation and administration of all States' resources and the regulation and control of States' financial affairs.

Key terms which are highlighted like *this* show where a definition can be found in the glossary in the attached appendix.

The Framework

The framework of the States Rules for Financial and Resource Management broadly consists of:

a) High-level principle-based **Rules** ('the Rules') agreed by the States of Deliberation ('the States') and the subject of this document. The Rules are mandatory for all Departments and other bodies as indicated below.

b) Detailed **Directives** ('the Directives') prepared in consultation with Departments, issued by the Heads of Profession and approved by the Treasury and Resources Department. The Directives are mandatory for all Departments and other bodies as indicated below.

c) **Guidance** on specific areas, written in consultation with Departments and issued by the Heads of Profession. Any guidance issued by the Heads of Profession would not be obligatory.

d) Departments are expected to formulate their own detailed **Procedures** as necessary. These must comply with the Rules and the Directives.

This framework covers the acquisition, management and expenditure of public funds and resources for which the States has a responsibility. The States Rules for Financial and Resource Management (collectively the 'Rules and Directives') therefore cover the following functional areas:

Cross-cutting: matters which apply across the States such as risk management, business cases and *value for money*

Finance: Financial matters relating to the budget, accounts, payroll, income, expenditure, assets and liabilities of the States.

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[1] Mandates and Memberships of the States, *http://www.gov.gg/ccm/navigation/government/states-members-and-committees/mandates-and-memberships/*

Procurement: The acquisition of goods, materials, the execution of works and the provision of services including consultancy, including outright purchase, lease, rental and hire of those works and services.

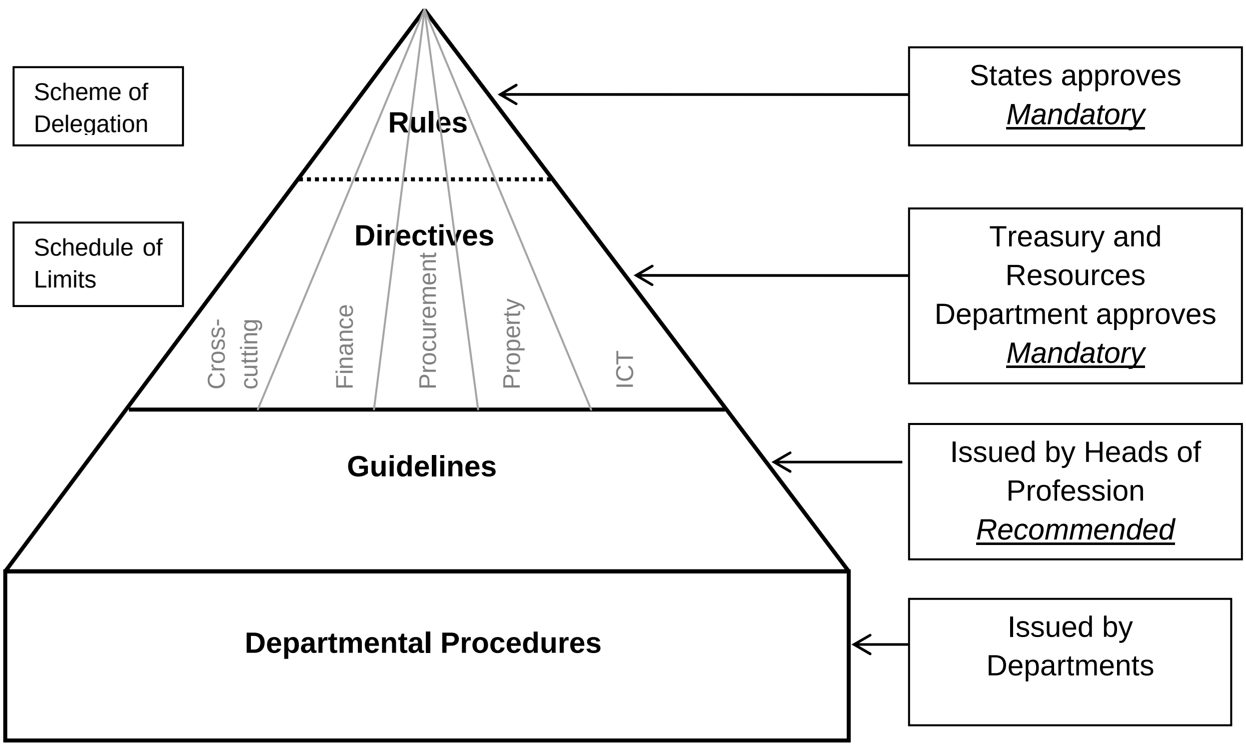
Property: The management of the States portfolio of *property* from acquisition to disposal.

Information and Communication Technology ('ICT'): The provision, management and administration of ICT hardware, software, data security and the States ICT *network*, including telephony and CCTV.

Human Resources Rules are currently not included however it is anticipated that these will be developed in due course in compliance with this framework.

The framework also includes the *Scheme of Delegation* and *Schedule of Limits*. The Scheme of Delegation is agreed by the States and sets out authority which the States have delegated to *Departments* in relation to the management of resources and funds. The Schedule of Limits is approved by the Treasury and Resources Department ('T&R') and sets out key limits relating to the Directives, for example the tendering threshold.

The diagram below sets explains the relationship between the Rules and Directives:



Who the Rules are applicable to

The States Rules for Financial and Resource Management apply to:

- all Departments, Committees, the Policy Council and the *States' Trading Bodies* (collectively in these documents referred to as '**Departments**' unless otherwise stated): and

- all States **employees** (whether full- and part-time, on permanent or temporary contracts of employment and regardless of pay group): and

- individuals who are retained on contracts for services to carry out duties, which would otherwise be carried out by employees of the States; and

- may also apply to other States-related bodies as detailed below

Non-States Bodies

Non-States Bodies are defined as organisations having links to the States by way of receiving significant funds or resources from the States, or where the States has power to audit the organisation.

Non-States Bodies (NSBs) are not obliged to comply with the Rules and Directives, however the States of Guernsey expects NSBs to embody best practice and the other principles in the Rules in their own financial and resource management practices and procedures. The exception to this is when an NSB uses the services or resources of the States directly, for example when connected to the States ICT network or occupying a States-owned building, whereby individual applicable Rules will be mandatory.

NSBs may choose to adopt in full, or a modified version of, the Rules and Directives, however the States of Guernsey will accept no liability arising from such adoption.

Corporate Housing Programme Funds

The Corporate Housing Programme was established by resolutions of the States in 2002[2] and 2003[3], as a means of providing a practical framework for implementing the States Housing Strategy, and complements and is congruent with the States Strategic Plan. The Rules and Directives apply to the Corporate Housing Programme Funds as they would for a Department, except where specifically indicated. The Housing Department manages the Funds on behalf of the States.

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[2] Billet d'Etat XV, July 2002, - States Advisory and Finance Committee
2002 Policy and Resource Planning Report
[3] Billet d'Etat II, March 2003 - States Advisory and Finance Committee and States Housing Authority — The Development of a Housing Strategy and Corporate Housing Programme

Ports

The Rules and Directives apply to the Ports (Guernsey Airport, Harbour of St. Peter Port, and Harbour of St. Sampson) save that revenue and capital expenditure of the Ports is made through the Ports Holding Account. For clarity under these Rules the Ports are not included in the definition of *States' Trading Bodies*.

Commercialised Trading Entities

The Rules and Directives do not apply to the *Commercialised Trading Entities*[4], except in defined circumstances as indicated in the Rules. But as shareholder, the States expects Commercialised Trading Entities ('CTEs') to embody best practice and the other principles in the Rules in their own financial and resource management practices and procedures.

CTEs may choose to adopt in full, or a modified version of, the Rules and Directives, however the States of Guernsey will accept no liability arising from such adoption.

States of Alderney

The States of Alderney receives a cashlimit and capital allocation from the States of Guernsey and is therefore not considered to be a Non-States Body as defined in these Rules. The States of Alderney must comply with the following Rules in line with the financial procedures[5] (as amended):

- Budgeting and Budgetary Control
- Capital Expenditure
- Information and Communications Technology Rules

It is also expected to incorporate and embody best practice and principles from the other Rules in its own financial and resource management practices and procedures.

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[4] Defined according to the States Trading Companies (Bailiwick of Guernsey) Ordinance, 2001, there are three such companies; being Guernsey Electricity Limited, Guernsey Post Limited, and Guernsey Telecoms Limited (since bought by Cable & Wireless (Guernsey) Limited).

[5] Billet d'Etat X, May 1996 –p. 673 States Advisory and Finance Committee: Financial Relationship between Guernsey and Alderney – Financial Procedures and recommendations for revenue cash limits and capital allocations for 1996, (as subsequently amended).

States of Deliberation

States Members sitting as the States of Deliberation are responsible for approving:

- The framework of the Rules for Financial and Resources Management
- The Finance, Property, Procurement, ICT and Cross-cutting Rules (including at a future date, Human Resources Rules).
- The *Scheme of Delegation*.

Policy Council

The Policy Council has responsibility for (in addition to the responsibilities noted below for Departments):

- Adjudicating issues of non-compliance by Departments.
- Hearing appeals by Departments where the Treasury and Resources Department has not granted a waiver or exemption.

Treasury and Resources Department

The Treasury and Resources Department has responsibility for (in addition to the responsibilities noted below for Departments):

- Reviewing the Rules on a cyclical basis (at least every three years) and approving changes or recommending new Rules to the States as appropriate.
- Reporting to the States on changes to the Rules in the annual Budget Report
- Reviewing the framework of the States Rules for Financial and Resource Management and recommend changes to the States as appropriate.
- Approving waivers to the Rules or exemptions to the Directives requested by Departments.
- Reviewing and approving Directives prepared by Heads of Profession following a consultation process.

The Treasury and Resources Department has these related responsibilities as part of its mandate[6]:

- Examining and submitting annually to the States the budget estimates of income and expenditure on capital and revenue account, to submit recommendations on how such expenditure should be financed and, after audit, to submit the annual accounts to the States.

[6] Mandates and Memberships of the States, *http://www.gov.gg/ccm/navigation/government/states-members-and-committees/mandates-and-memberships/*

Treasury and Resources Department (continued)

- Receiving and commenting as appropriate on the resource implications associated with all proposals and reports which are to be placed before the States by Departments and Committees.
- Financial and related functions including the States payroll and the provision of advice and corporate services to Departments and Committees.
- The management of financial assets including cash and other investments and associated financial activities.
- Maintaining a register of *property* ownership for the purpose of assessing and collecting taxes based on rateable value.
- Providing corporate property services and advice to Departments and Committees and administering certain land and properties owned or leased by the States including those on Herm, Jethou and Lihou islands.
- Providing corporate *procurement* services and advice to Departments and Committees.
- Internal audit, risk management and insurance of States activities and resources.
- The development of corporate policies concerning the States use of *information and communication technology* and the provision, administration and security of the States ICT *network.*

Public Accounts Committee

The Public Accounts Committee's responsibility in relation to the Rules and Directives are, through their mandated responsibility to monitor *value for money* across the States, to assist in the monitoring of compliance with these rules.

Departments

Departments' responsibilities, in relation to the Rules and Directives, are as follows:

- To ensure that *value for money* is obtained from public funds and resources, and that they are managed effectively in accordance with the objectives of the States for the benefit of the public of Guernsey.
- To ensure their own compliance with the Rules and Directives.
- To consider specific waivers to the Rules for their Department and recommend those which are supported to T&R.
- To identify and install internal control systems, including financial control systems, to safeguard public funds and resources.
- To formulate procedures within the framework of and which comply with the Rules and Directives.

States Members

States Members and Non-States Members are responsible for acting in a way which is consistent with the principles of the Rules.

Chief Officers

In relation to the Rules, *Chief Officers* are responsible for:

- Ensuring there are robust internal controls (procedures, performance management and monitoring systems) in place to enable compliance with the Rules and Directives. Ensuring that the Finance, Human Resources, ICT, Procurement, and Property functions under his/her control are resourced appropriately to operate within the Rules and Directives.
- Ensuring that a suitably skilled professional is appointed as Senior Finance Officer of their Department[7].
- Communication of the overall requirements and responsibilities of the Rules and Directives to employees and Members of the Department.
- Delegating authority to appropriate employees to become Authorised Officers where required under the Rules.
- Enabling employees to report non-compliance and fraud and to ensure that they are not penalised, or treated detrimentally as a result.

Heads of Profession

The role of a Head of Profession in relation to the Rules and Directives is to:

- Define Rules and Directives relating to the discipline in accordance with best practice and professional standards.
- Review the Rules and Directives on a cyclical basis of at least every three years.
- Recommend changes to the Rules to the Treasury and Resources Department for approval by the States.
- Prepare detailed Directives following full consultation with Chief Officers and other interested parties.
- Issue guidance on specific matters to supplement the Rules and Directives.
- Satisfy him/herself whether concerns over compliance reported by employees are genuine and agreeing necessary remedial action in conjunction with the Chief Officer of that Department.
- Refer serious breaches of the Rules and Directives (whether alleged or actual breaches) to the Head of Internal Audit for investigation.

[7] This may be achieved through the sharing of resources in small Departments or entities.

- Advise Chief Officers on mechanisms and procedures for monitoring their Department's compliance with the Rules and Directives.

Chief Accountant

In relation to the Rules and Directives, the Chief Accountant has, in addition to the responsibilities as a Head of Profession and as an employee, responsibility for the proper administration of the financial affairs of the States of Guernsey, reporting directly to the Treasury and Resources Department in respect of these matters.

To fulfil these responsibilities, the Chief Accountant will have right of access to all Departments, and if appropriate Non-States Bodies, to give financial advice or to report on financial matters, which need to be brought to that Department's attention, where the Chief Accountant believes this is necessary.

Head of Internal Audit

With regard to the Rules, the Head of Internal Audit is responsible for:

- Developing a strategic risk-based audit programme to review the States' activities.
- Investigating serious breaches of the Rules and Directives referred to them by a Head of Profession or otherwise.
- Notifying the Head of Profession in relation to any breaches discovered through their audit work.

Senior Finance Officers

Each Department must have a designated Senior Finance Officer, whose responsibility, in addition to those as an employee, is to report to the Chief Accountant any significant new or material amendments to their Department's financial systems, well in advance of their implementation.

All Senior Finance Officers must ensure that their Departmental practices, procedures and internal controls are robust and comply with relevant professional standards and the States Rules for Financial and Resource Management.

These responsibilities are in addition for those as an employee and, if appropriate, as an Authorised Officer.

Authorised Officers

Authorised Officers are responsible for:

- Complying with the Rules and Directives.

- Carrying out the responsibilities within the levels of authority delegated to them.

Employees

Employees are responsible for:

- Ensuring they keep up to date with changes to the Rules (and accompanying Directives).
- Complying with the Rules. Employees must also ensure that their actions and decisions comply with all laws, regulations and other statutory requirements in force in Guernsey, or if applicable elsewhere, at that time. Other requirements, e.g. from professional bodies, must also be followed.
- Being vigilant for potential non-compliance by other employees and reporting, without delay, any concerns regarding potential non-compliance with the Rules and Directives to their Chief Officer and relevant Head of Profession.
- Immediately reporting suspected fraud, including where they consider there may exist the high potential risk of fraud, to the Chief Accountant and Head of Internal Audit.
- Complying with their own Departmental procedures.

Non-compliance

Departments

Departments are responsible for monitoring their own compliance with the Rules (and the Directives) and must review their own operations and procedures regularly to ensure this is the case. Internal Audit will also monitor compliance as part of their reviews.

Where a Department does not comply, the issue will be raised between T&R and the Department concerned. If the issue cannot be resolved by those parties, the Policy Council may be asked to intervene.

Employees

Employees must comply with the Rules (and the Directives). Failure to do so could result in disciplinary action according to the procedures issued by the Policy Council's Human Resources Unit.

Waivers to the Rules

There may be exceptional operational circumstances particular to a specific Department whereby the Rules cannot be applied. In these cases, the Department must formally request a waiver from the Treasury and Resources Department, which will not unreasonably be refused, in such form and manner as the relevant Head of Profession requires. This request must give full reasons why complete compliance with a particular Rule cannot be achieved.

T&R will report annually to the States on any waivers granted.

Context

The Cross-cutting Rules apply across all areas encompassed by the States Rules for Financial and Resource Management.

Best Practice

The Rules and accompanying Directives must reflect best practice principles. *Departments* must follow best practice principles in managing resources and funds.

Business cases

Departments must produce business cases to support new service developments, significant expenditure and significant purchases. A successful business case must demonstrate that the proposal offers *value for money* for the States of Guernsey and supports the States' objectives and priorities. Business cases must be produced according to the requirements and using the template issued by the Treasury and Resources Department as a Directive.

New Service Developments will be subject to prioritisation and approval through the States Strategic Plan process. T&R may approve business cases for new service developments, which are not high cost and are not controversial and do not impact on several Departments. In all other cases, the Department concerned must present their business case to the States for approval.

Contracts, Framework and Service Level Agreements

Agreements between the States and a third party (or between States entities) must contain terms and conditions agreed by St James' Chambers, which ensure that obligations and expected performance levels are understood, consistency is maintained and responsibility is clarified.

Data Protection and retention of records

Chief Officers are responsible for putting in place adequate systems of internal control to ensure that personal data is processed and stored in accordance with Data Protection principles[8] and other applicable legislation, having regard to the rights of the subjects of that information. Chief Officers must ensure that records must be retained only for as long as is necessary, with regard to data protection requirements.

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[8] The Data Protection (Bailiwick of Guernsey) Law, 2001

Integrity and ethical standards

States employees must carry out their duties with integrity, honesty, objectivity and impartiality. This means that all decisions must be reached and applied in a fair, balanced and transparent manner. Departments and Committees must strive to achieve the highest ethical standards in their decision making and actions.

If any *employee* or *Member*, or their immediate family, is likely to be in a position to influence a States decision or action, this interest must be declared in line with the Directive.

Insurance

The Treasury and Resources Department ('T&R') has overall responsibility for the States of Guernsey's insurance arrangements (whether though an external provider or by way of self-insurance). *Departments* must review their insurance requirements and cover annually and provide such information as is necessary for T&R to monitor and administer the insurance arrangements.

Private Sector Approaches

Approaches from the private sector, that seek to explore various commercial opportunities (for example potential development) involving States *property* or other *assets*, must be referred to the Treasury and Resources Department at the earliest possible opportunity. The Department will then manage the process under its delegated powers to an approved format.

Project Management

Departments must ensure that all major projects, as defined in the *Schedule of Limits*, are run according to structured project management principles, as determined by the relevant Head of Profession and have a Project Board. Timely and appropriately independent post-implementation reviews must be carried out by Departments proportionate to the size and complexity of the project.

Records

Departments and Committees must keep adequate records of their decisions, actions, resources and funds to provide accountability. Recording of information must occur promptly and accurately. Chief Officers must ensure that records are kept in such a manner as to enable them to be verified, audited and retained securely. Records must comply with the Data Protection and Retention Rule.

Risk Management

The States will use a risk-based approach to the management of assets and funds under its control to ensure that risks are mitigated and minimised and systems are resilient to interruption.

Departments must ensure that risks are formally assessed and recorded on a periodic basis (at least annually). Departments must take steps to mitigate risks where this is cost-effective, and record those risks which remain, with reasons why these cannot be mitigated.

Business Continuity Planning

Departments must assess their operations to identify those critical functions which must continue in the event of major disruption. Each Department must have adequate, documented business resilience plans, which must be kept up to date and tested annually for a variety of expected scenarios.

Support the States strategic policies

Departments must follow States corporate aims and objectives as set out in the States' Strategic Plan when allocating resources and delivering services.

Departments must consider relevant social, environmental, sustainability and ethical issues when carrying out their obligations.

Value for Money

Departments must seek to achieve *value for money* in acquiring and managing resources and funds. Co-operation and collaboration between Departments is to be undertaken where it will achieve best value for money and corporate solutions must be sought where possible.

Obtaining value for money means that public money and resources are used in the most efficient and effective way to deliver the stated outcomes of the States of Guernsey. It requires underpinning service delivery with sound financial and performance processes.

Context

These Finance Rules cover the mechanisms and procedures for the collection, handling and expenditure of public funds, including recording and reporting requirements. These Rules exist to ensure that public funds are used in accordance with the States overall objectives to the benefit of the people of Guernsey, and provide for *value for money* and cost-effective administration of the States functions.

Compliance with these Rules will enable Departments to manage their resources and funds to achieve value for money in supporting their objectives.

Contents

The Finance Rules are divided into the following sections:

Publication of Accounts

The Treasury and Resources Department (T&R) has overall responsibility for preparing and publishing the accounts of the States of Guernsey. The accounting year for the States is from January to December.

The States' accounts will be published on an annual basis in such manner and format as T&R will determine, and will include as a minimum, a financial and narrative summary of performance for the year, an overall income and expenditure account, balance sheet and cashflow statement with supporting notes.

Preparation of accounts

T&R has overall responsibility for co-ordinating the preparation of the year-end accounts and for the accuracy of information within them.

Departments must prepare information, including narratives, for the accounts according to the accounting policies of the States. Departments are responsible for the accuracy of the information prepared for their accounts and for providing narrative explanations as required by T&R for publication.

Accounting Policies

T&R will formulate detailed accounting policies for the accounts of the States and devise a framework of accounting policies for States Trading Bodies. T&R will review the accounting policies on an annual basis. Departments are responsible for applying these accounting policies consistently and accurately to their year-end accounts.

Audit of the accounts

The annual accounts of the States of Guernsey will be subject to independent audit by a suitably qualified professional accounting organisation (the 'External Auditors'), which will be approved by the States on the recommendation of the Public Accounts Committee. The External Auditors must carry out an independent audit of the States accounts on an annual basis in accordance with current auditing standards.

Administration of third party funds and assets

Third party funds (e.g. Amenity Funds) must be handled and administered in accordance with the Rules, i.e. in the same way as States funds and assets. Departments must ensure that Third Party Funds (including assets not owned by the States) are properly safeguarded against loss or damage.

Senior Finance Officers must ensure that the responsibilities of the States and the third party are clearly defined and agreed by both parties, and that responsibility for risks to the funds and assets are clearly identified and allocated between the parties.

Separate identity

Senior Finance Officers must ensure that adequate records exist to identify third party funds separately from States funds and that these funds are accounted for separately.

Review of Third Party Funds

Departments must regularly review the necessity for Third Party Funds under their control, and ensure that these Funds remain fit for purpose.

Asset management

Departments must ensure that all *assets* under their care are managed effectively to obtain maximum *useful economic life* from them and to safeguard them from loss, damage or impairment.

Departments must take a risk-based approach to the management of their assets and must formulate and execute effective plans for maintaining assets in a safe, reliable and productive condition.

Departments must review the need and use for assets on a regular basis, including re-assessment of the useful economic lives of those assets and assessment of any *impairment.*

Accounting for assets

Departments must value and account for all *assets* according to the accounting policies of the States. The Chief Accountant is responsible for issuing Directives relating to the grouping of assets for measurement purposes in relation to the accounts.

Recording of assets

Senior Finance Officers are responsible for ensuring that costs are recorded in an asset register, where the asset value exceeds the asset threshold as set out in the *Schedule of Limits*. The Heads of Profession will direct Departments in the manner, form and content of asset registers for different classes of asset.

Disposal of assets

Departments must dispose of assets in a cost-effective, fair and open way. States employees must not receive favourable treatment with regards to the sale or disposal of assets. Disposals must comply with environmental and legal obligations. *Property* disposals must be carried out in accordance with the Property Rules.

External Audit

The States of Guernsey is subject to independent scrutiny to comply with legal and regulatory obligations and to satisfy public accountability. *Departments* must be subject to an annual independent audit of their accounts. The Public Accounts Committee is responsible for recommending to the States the appointment of the independent auditors of the States accounts.

The external auditors will produce a management report of their findings to the Public Accounts Committee; Departments must consider these points and agree actions with the Chief Accountant. Departments must ensure that recommendations are implemented in a timely fashion. The Public Accounts Committee is responsible for monitoring Departments' implementation of recommendations.

All States *employees* are required to provide information and assistance to auditors and in compliance with Data Protection requirements. Where a request appears unreasonable, the Chief Accountant will advise the Department on the action to take.

Internal Audit

The States of Guernsey will have an Internal Audit function. All Departments, Committees and States Trading Bodies, will be subject to regular internal audit. The requirement for an audit will be assessed by the Head of Internal Audit and may be extended to other organisations receiving material public funds or resources from the States.

All States employees are required to provide information and assistance to auditors, and in compliance with Data Protection requirements. Where a request appears unreasonable, the Chief Officer will agree any required action with the Head of Internal Audit.

The Head of Internal Audit must develop a strategic risk-based audit programme to review the States' activities. Chief Officers are expected to contribute to the planning of audits for their Department.

Internal Audit will carry out the rolling programme of review. In addition they will respond to, and investigate, suspected fraud and other irregularities. Internal Audit is responsible for reviewing Departments' systems and practices to identify whether they comply with the States Rules for Financial and Resource Management. Departments are responsible for the timely implementation of agreed Internal Audit recommendations.

Internal Audit reports must be tabled and discussed at Departmental board meetings and Departments are responsible for the timely implementation of Internal Audit recommendations.

Non-Audit Services

The External Auditors should not be engaged by Departments for any non-audit work. Where this is deemed necessary, Departments must gain the approval of the Chief Accountant prior to inviting the auditors to contract for the non-audit work.

The Chief Accountant will assess any proposal to utilise the services of the auditors for non-audit work against criteria including whether the non-audit work may have the potential to conflict with audit independence.

Other Reviews

The Public Accounts Committee and Scrutiny Committee may also carry out reviews of Departments in accordance with their mandates[17]. Departments may also be subject to periodic independent reviews as a result of legislative or other requirements.

[17] Mandates and Memberships of the States, *http://www.gov.gg/ccm/navigation/government/states-members-and-committees/mandates-and-memberships/*

Bank Accounts

T&R has overall responsibility for systems and procedures in the States through which money is transacted. T&R manages the States corporate banking contract. New or changes to existing bank accounts must be co-ordinated and approved by T&R.

The States is committed to providing its customers and suppliers with the best range of payment methods available to facilitate the ease with which they transact with government.

Investments

The States of Guernsey will seek the maximum return on its investments within agreed levels of risk and the *Permitted Investment Rules* as agreed by the States.

T&R has delegated responsibility for investing and managing all States' funds except those managed by the Social Security Department. The Social Security Department (SSD) has responsibility for managing the investments in the Guernsey Insurance Fund, the Guernsey Health Service Fund and the Long-Term Care Insurance Fund. Both Departments may delegate the administration and management of investments to other organisations (e.g. investment management companies) from time to time. Where administration of the funds is delegated, T&R and/or SSD must ensure that the performance of the organisation concerned is reviewed annually in line with performance measures in the contract. Funds must be invested in accordance with the *Permitted Investment Rules*.

T&R and SSD must ensure that there are sufficient liquid funds and long term balances available to meet ongoing operational requirements. Investments may be aggregated where this represents the best method of achieving the maximum return against the risk profile of those funds.

Borrowing

T&R is responsible for undertaking any borrowing on behalf of the States in accordance with the Fiscal Policy Framework[18]. New borrowing will only be undertaken to fund capital investment with a secure associated income stream[19]. The total of such States net borrowing will not exceed 15% of Guernsey's Gross Domestic Product.

T&R may lend to or borrow from other States entities to facilitate the flow of funds for States revenue and capital expenditure (internal lending or borrowing). T&R will assess and approve any Department's proposals to borrow temporarily by way of an overdraft or short term loan.

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[18] Policy Council: Fiscal Policy Framework, Billet d'Etat XI, April 2009
[19] Billet d'Etat IX, May 2009 – Treasury and Resources Department - Capital Prioritisation

Existing borrowing facilities must only be used according to the requirements of relevant States Resolutions[20].

Guarantees

T&R is responsible for assessing requests for the States to provide guarantees, or similar comfort, to financial institutions on behalf of third parties, who have a connection to the States (for example where the States has a shareholding, or the third party receives States funding in some form) in order to facilitate their private sector borrowing. Such guarantees should only be agreed where the risks of default have been carefully considered and documented, and the impact of any contingent liability taken into account.

T&R must agree to any guarantees prior to recommending them to the States for approval, if necessary.

Third party banking

The States may, from time to time, invest funds on behalf of non-governmental organisations, for example those organisations receiving States grants and the *Commercialised Trading Entities*. Such funds may be aggregated with States funds to obtain the maximum possible returns, however they will be accounted for separately and the return on investments will be split proportionally in comparison to the overall investment pool and included with the organisations' overall funds.

[20] For example, the Housing Department has a £25m private sector facility until July 2013 for the Housing Development and Loan Fund, which was established in Billet d'Etat XIII, 1990.

Publication of Budgets

T&R has overall responsibility for preparing and publishing the budget of the States of Guernsey, showing the requirements for funds and resources for at least the following year. The States' budget will be published on an annual basis in such manner and format as T&R will determine. The budget will include, as a minimum, a projection of overall income and expenditure for the year ahead and the budgets of Departments and other States entities as appropriate.

T&R are responsible for ensuring that there is consistency between the classification of information in the published budget and the published annual accounts. The budget will be approved by the States of Deliberation.

The States budget must be prepared in line with agreed priorities of the States Strategic Plan.

Preparation of the States' budget

T&R is responsible for co-ordinating the preparation of the overall general revenue and capital budgets for the States, including determining proposals for taxation levels and setting cashlimits.

Budget Setting

Departments must ensure that budgets are set using a bottom-up budgeting approach and assumptions as directed by T&R. Departments must apply rigour in assessing their budgetary requirements. Budgets should reflect the actual needs of the Department. Budgets must be set for both income and expenditure of the Department.

Budget management

Departments are responsible for managing their budgets within the cashlimit agreed by the States.

Authorised Officers, where responsible for budgets, are responsible for managing and controlling expenditure within those budgets and for maximising the collection of income, if appropriate. Authorised Officers must ensure that budgets are not exceeded, i.e. overspent.

Monitoring of budgets

Senior Finance Officers must ensure that budgets are monitored appropriately on a regular basis. Detailed budget performance reports, which must include variance analysis and a forecast of year end outturn, must be submitted to senior management and discussed at board level on at least a quarterly basis, preferably monthly.

Senior Finance Officers must forecast the outturn for their Department's budgets on a regular basis throughout the year.

Senior Finance Officers must discuss significant budgetary concerns with the Chief Accountant as soon as they arise so that action to address these concerns can be taken promptly.

New Service Developments

Departments must formulate detailed *business cases* for any new service developments or budgets requiring additional revenue or capital outside of their existing funds. Either T&R or the States will approve these requests, according to the *Scheme of Delegation* and the States Strategic Planning process. Business cases must be produced in accordance with the Business Case Rules and include forecasts of income and expenditure over more than one year. T&R will have regard to the reasons in the business case when commenting on the financial implications of States Reports. Departments must include detailed budgetary requirements in business cases for new services and projects.

Budget transfers

The Chief Accountant is responsible for the central administration of budget transfers. Overall increases or decreases to Departments' total budgets will be approved by T&R or the States in accordance with the *Scheme of Delegation*. Senior Finance Officers are responsible for recommending detailed budget transfers, i.e. those within their overall budget totals, to the Chief Accountant.

Unspent Balances

Unspent balances arise when the total non-formula-led net expenditure in a year does not exceed the total authorised budget of a Department for that year. Departments are permitted to retain unspent balances from one year to the next.

Departments must submit a case for using Unspent Balances for non-recurring expenditure (or exceptionally for recurring expenditure) to the Treasury and Resources Department, which has delegated authority to approve the transfer of Unspent Balances to supplement revenue or capital budgets. In certain circumstances, T&R may also approve Departments' requests for Unspent Balances to be used for recurring expenditure.

In the case of overspends, Unspent Balances must be used in the first instance. Where these are insufficient, the States or Treasury and Resources Department must sanction overspends in accordance with the *Scheme of Delegation*.

Exceptions to these Rules

The Budgeting and Budgetary Control Rules apply to the Corporate Housing Programme Funds and the *States Trading Bodies* except for the Unspent Balances Rule.

Capital Expenditure

Capital expenditure is expenditure on a project that results in a new or replacement asset, or extends the life or increases the value of an asset, where the value concerned is according to the accounting policies. Routine maintenance and *consumables* should never be treated as capital expenditure. Capital expenditure must only occur where this is in accordance with the States Strategic Plan and Departmental Operational plans.

Capital Prioritisation

Significant capital expenditure, which cannot be funded from a Department's routine capital allocation, must be evaluated through the Strategic Review process, which is co-ordinated by T&R and subject to capital prioritisation by the States. If approved by the States, the *Capital Reserve* will fund the project.

Routine Capital Expenditure

T&R must have regard to Departments' requirements for routine capital expenditure, when setting cashlimits. Capital expenditure to be funded by routine capital allocations (part of Departments' cashlimits) may be approved by either the Department concerned, T&R or the States, according to the *Scheme of Delegation* and the requirements of the Directives.

Applicability to the Corporate Housing Programme

Capital expenditure to be funded from the Corporate Housing Programme Funds ('CHP Funds') is the responsibility of the Housing Department in accordance with the *Scheme of Delegation*. Capital expenditure includes grant funding of housing associations for the development of housing tenures. Where there are sufficient balances in the CHP Funds, capital expenditure will be approved as part of workstreams prioritised by the States on a biennial basis and linked to the priorities in the States Strategic Plan.

Applicability to States Trading Bodies

States Trading Bodies generally fund capital expenditure from their own reserves and do not receive an allocation from the States, nor are their projects funded from the Capital Reserve, unless this has been agreed by the States as part of the Capital Prioritisation process.

Currency

T&R is responsible for monitoring and administering [21] the supply and issue of Guernsey *currency* (i.e. Guernsey notes and coins).

The States of Guernsey will utilise robust methods and technologies to prevent the circulation of counterfeit Guernsey currency.

T&R will ensure that the stock of new unissued notes and coins (including commemorative coins) and returned stock is held securely and managed in accordance with the requirements of the **Stock Rule**. Notes and coins withdrawn from circulation will be destroyed in a controlled and secure manner.

T&R must maintain effective and responsive communications with Guernsey Police, local banks and the community in general to combat the counterfeiting of Guernsey currency and will also provide specialist advice and support to the Police and Court authorities, when requested, in cases which breach current laws.

[21] The primary piece of legislation for the administration of the Guernsey currency is The Currency Offences (Guernsey) Law, 1950

Donations

States Departments, as the custodians of public funds and assets, must apply those funds and assets for official purposes of the States of Guernsey only. Departments must not make donations of public funds or assets to charitable or similar bodies, unless specific authority to do so has been granted in their mandates or by the States. Senior Finance Officers must ensure that a register is kept of donations made.

Grants, Loans and Support Schemes

T&R has delegated authority from the States to make grants or loans to registered charities and similar organisations.

Departments must only make grants or loans if the power to do so is in their mandates, or is as a result of a Resolution of the States. Departments must ensure that grants (equally applicable to loans and support schemes) have clearly defined and measurable objectives, and must review these periodically. Each scheme or grant must represent *value for money* for the States and be in accordance with its aims and priorities.

Grants from the Corporate Housing Programme Funds made to housing associations for the development of housing in Guernsey, must be approved by the Housing and Treasury and Resources Departments in accordance with the governance and contractual arrangements with those associations.

Sponsorship

States Departments will only sponsor (in whole or in part) private events, organisations, goods or services where there is a demonstrable States' objective which will be met and where such sponsorship provides value for money. Senior Finance Officers must ensure that a register is kept of such sponsorship.

Emergency expenditure

The requirements of the Rules may be suspended temporarily only when circumstances arise which pose an immediate threat or risk to persons, property or would cause serious disruption to essential States or Island services, and these circumstances necessitate the immediate expenditure of funds, those funds should be spent to avoid or mitigate the emergency.

The Treasury and Resources Department has delegated authority to authorise a capital or revenue budget, and to transfer into it an appropriate sum from Reserves, in the event of an emergency. The Treasury and Resources Department is required to report back to the States on any amounts so authorised under its delegated authority as soon as is practicable.

Major Emergencies

Under this Rule, a major emergency is an Island-wide emergency which poses immediate risk to persons, property or serious disruption to essential States or Island services. The Emergency Powers Authority[22] is mandated to deal with major emergencies.

Other emergencies

Other emergencies are where, for example, imperative maintenance or repairs to States property or assets are urgently required to prevent immediate danger to authorised users or members of the public and are not within the remit of the Emergency Powers Authority.

Chief Officers must notify the relevant Head of Profession concerned, as soon as reasonably practicable, of the extreme or emergency circumstances, which might require them to act outside of, or potentially in conflict, with the Rules. In such cases, Chief Officers must ensure that the circumstances of the emergency, the Rules or Directives which were contravened, if appropriate, and the action taken to resolve the emergency are recorded and reported to the Board and relevant Head of Profession as soon as possible.

If the emergency arose from a deficiency or lack in the Department's procedures or systems, the Chief Officer must ensure that changes are made to prevent the emergency recurring and that such changes will comply with the Rules.

[22] Mandates and Memberships of the States, *http://www.gov.gg/ccm/navigation/government/states-members-and-committees/mandates-and-memberships/*

Responsibility for preventing fraud

The States of Guernsey is committed to minimising the risk of the occurrence of fraud and other irregularities.

Senior Finance Officers must ensure their Departments operate with robust internal controls which prevent fraud and minimise the potential for fraud or other irregularity to remain undetected.

All States *employees* are expected to be aware of and vigilant for suspicious or improper activities.

Reporting

Where any employee suspects fraud is occurring, or there may exist the high potential risk of fraud, such matters must be reported immediately to the Chief Accountant and the Head of Internal Audit. The Head of Internal Audit must notify the *Chief Officer* of the Department concerned where a fraud investigation is being carried out, unless the Chief Officer is implicated in the fraud.

Employees must be able to report suspected fraud without fear of being penalised for raising their concerns.

Investigation of fraud

Internal Audit is responsible for investigating any suspected fraud. The Head of Internal Audit will inform the Department where it is appropriate to do so, depending on the nature of the suspected fraud and progress of the investigation. Where appropriate, cases may be referred for investigation by the Police and may result in criminal proceedings.

Departments and their employees must comply fully with fraud investigations and render all assistance necessary to enable Internal Audit to carry out a robust investigation.

Consequences of committing fraud

Employees found to have committed fraud will be disciplined according to provisions and procedures issued by the Policy Council Human Resources Unit and may also be prosecuted.

Gifts to the States of Guernsey

Gifts to *Departments* or Committees must not be accepted where the States would be required to expend public funds in maintenance or running costs, unless this accords with the States objectives for service provision.

An *asset* must only be accepted as a gift once a full evaluation has been undertaken and it can be clearly demonstrated that the acceptance of the asset will have no adverse financial implications to the States

Gifts offered to staff

All States *employees* must ensure that their actions do not imply any impropriety, favouritism or undue influence, and thus gifts and hospitality must not be accepted if there is the potential for this to be the case. This applies equally to gifts or hospitality offered to immediate family members of a States employee.

Gifts should not be accepted where there is an expectation by the other party that this will be reciprocated in some way, unless this is required from a cultural standpoint.

Hospitality

Modest hospitality is an accepted courtesy of a business relationship. However, the recipient should not allow themselves to reach a position whereby they might be, or might be deemed by others, to have been influenced in making a business decision as a consequence of accepting such hospitality. The Chief Officer should satisfy themselves that the frequency and scale of hospitality received by Department employees is appropriate to the circumstances of the relationship.

Giving gifts and hospitality

Gifts to individuals (staff, contractors or others) must not generally be paid for from public funds. A Department giving business-related hospitality or gifts must ensure that it is appropriate, proportionate and in accordance with the Department's business objectives. Such gifts and hospitality must not imply or expect any impropriety, favouritism or undue influence on the recipient

Gifts and Hospitality Register

The *Chief Officer* must ensure that a register is maintained of all gifts and hospitality received and given, and must inspect and sign off that register at least annually.

Fees, charges and taxes

The bulk of the States income is derived from direct and indirect taxation; however a proportion of income is derived from fees, charges and penalties made by Departments. T&R is responsible for recommending changes to direct and indirect taxes to the States for approval.

Departments are responsible to the States for their own fees and charges, which arise from specific States resolutions and legislation, and for other income resulting from the charging out of services or sale of goods. Fees and charges prescribed by Order in Council, Ordinance or Resolution of the States may be increased, decreased or discontinued by way of a Regulation of the relevant Department[21].

The amounts of fees and charges raised should not be used as a material substitute for direct and indirect taxation and should be appropriately budgeted.

Setting fees and charges

Departments must review their fees and charges on an annual basis. When reviewing the level of existing fees, or considering the introduction or cessation of fees, Departments must take account of the evaluation criteria agreed by the States[22].

T&R must be notified of any changes to fees and charges, and will maintain a register of them.

Collection of income

Senior Finance Officers, and any other person who has a statutory responsibility for the collection of income, must ensure that systems and procedures are in place to collect all income due to the Department. Income must be collected in a timely and secure manner, and must be recorded promptly. Senior Finance Officers must ensure that income is banked promptly and securely on a frequency appropriate to the value of funds or risk environment; this equally applies to small and large value receipts.

Controlled stationery, such as receipt books, must be kept securely by a nominated member of staff. Access to controlled stationery must be restricted to a minimum. Movements of controlled stationery must be recorded in a register.

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[21] The Fees, Charges and Penalties (Guernsey) Law, 2007. This arose from the States Resolution in Billet d'Etat VI, February 2006.

[22] Treasury and Resources Department – Fees and Charges, Billet d'Etat III, January 2007, p. 264

Debtors management

Departments must strive to recover all amounts due to the States in full wherever possible, by using robust credit control procedures. Standard credit terms offered to customers must not exceed the limit set by the Chief Accountant in the Schedule of Limits.

Senior Finance Officers must ensure that outstanding debts are reviewed regularly and their recoverability assessed.

T&R operates a corporate debt recovery service on behalf of many Departments, including referring cases to the Courts and utilising debt recovery techniques to ensure that the States receives the maximum amount of income it is due.

Senior Finance Officers are responsible for authorising any debts, subject to Departmental limits or Board approval, which are to be written off in accordance with the *Schedule of Limits*, but only after an assessment has been made as to the likelihood of their recovery or the cost-effectiveness of such recovery. Decisions must be properly documented. Writing off of payroll debtors must only be approved by the Chief Accountant.

The States' accounting policies must be applied to the accounting for debtors and debts written-off.

Discounts

Individuals or groups of States employees must not receive discounts on services or goods provided by the States of Guernsey, which favour those employees over other States employees or members of the public, unless the discounts:

- arise under an established corporate agreement which is available to all States employees generally, such arrangement being managed by T&R; or
- are provided on normal commercial terms (e.g. water charges)

Discounts offered to customers of the States must be identifiable and recorded separately.

Accounts Payable

Senior Finance Officers must ensure that all suppliers are paid through the corporate accounts payable function administered by the Treasury and Resources Department.

The accounts payable function will aggregate supplier payments as appropriate and administer regular payment runs (at least weekly).

Supplier Invoices

Senior Finance Officers must ensure that procedures and systems are in place to ensure that invoices from suppliers are only paid after the receipt of goods or services has been verified, the invoice has been appropriately matched to the order and authorised in accordance with the Department's authorisation limits and procedures. Payments in advance of receiving goods or services should be avoided where possible.

Suppliers must only be paid on original invoices, which have been checked to ensure they have not been defaced or manually altered. Invoices must be paid in full. If an item is disputed, this should be resolved with the supplier as soon as possible and a credit note or refund requested.

Credit terms must be maximised. Discounts and credit notes from suppliers should be applied where possible.

Cheques

The Treasury and Resources Department must endeavour to encourage suppliers to accept electronic methods of payment wherever possible. Departments must not utilise separate payment methods for payments from the States accounts (e.g. cheque books) outside of the corporate accounts payable systems.

Procurement (Purchase) Cards

Procurement cards must only be used to facilitate the procurement of low value items or travel and not as a substitute method for the payment for goods or services. The Director of Corporate Procurement manages the States' contract and monitors the use of purchase cards.

Controlled stationery

Controlled stationery, for example blank cheques or vouchers, must be kept securely by a nominated member of staff. Access to controlled stationery must be restricted to a minimum. Movements of controlled stationery must be recorded in a register.

Payroll administration

T&R is responsible for administering and maintaining the corporate payroll system through which all employees of the States and States Members must be paid. For the purposes of this Rule, 'employees' applies equally to States Members.

Departments must notify the corporate payroll section of changes to employees permanent pay (e.g. start, incremental and leaving dates) so that employees are only paid from their start date and up to and including their leaving date.

Departments must reconcile payroll information to employee records, monthly or weekly, according to pay cycle. Employees are responsible for checking their payslips on a weekly or monthly basis (as appropriate) and notifying any discrepancies to their Line Manager, who will notify the Department's payroll or Human Resources Officer as appropriate.

Employees handling payroll information must comply with Data Protection requirements on the storing and handling of sensitive personal data (see Data Protection and Retention Rule).

Employment legislation

Departments must comply with the requirements of employment legislation, Directives issued by the Policy Council's Human Resources Unit (PCHRU) and negotiated pay and conditions.

Enhancements and other changes to pay

Senior Finance Officers must ensure that overtime, expense claims and other ad hoc enhancements to pay are applied to employees' pay accurately and in a timely manner. Senior Finance Officers must ensure that Benefit in Kind information is reported to Income Tax.

T&R must ensure that overall changes to pay rates and allowances as a result of finalised pay negotiations are incorporated into the payroll system in a timely manner. T&R must ensure that statutory deductions from employees (e.g. income tax and social security contributions) are collected in accordance with the relevant legislation.

Employees' superannuation administration

T&R is responsible for administering and maintaining the corporate pension system and must ensure that contributions collected from eligible employees are accurately allocated to those employees' records. T&R is also responsible for the payment of pension entitlement to former employees in accordance with instructions received from the Public Sector Remuneration Committee, and States Members.

Re-imbursement of employees' expenses

Senior Finance Officers should ensure that all re-imbursements of expenses and costs to employees are made through the corporate payroll system.

Subscriptions to Professional Bodies

Professional subscriptions may only be reclaimed by employees where allowed in the Human Resources Directive and then only by re-imbursement through the payroll.

Overpayment of salaries

Any overpayment of salaries or wages discovered by Departments should be notified to Payroll immediately. Overpayments discovered by Payroll should be notified to Senior Finance Officers as soon as possible. Employees must be notified, without delay, where an overpayment has occurred.

All overpayments should be recovered.

Petty Cash

Petty cash should not be used as a method of procuring goods and services for the States. Senior Finance Officers are responsible for ensuring that the need for petty cash floats is kept under review and balances held are kept at a minimum.

Petty cash must only be used for insignificant, occasional items of small value, and not for regular payments. Re-imbursements to individual employees must only be made on production of supporting documentation. Gifts to individuals (staff, contractors or others) must not be paid for from public funds. This also applies to functions and any related costs of giving such gifts (see Gifts and Hospitality Rule).

Petty cash must be operated on an imprest system, held securely and independently verified regularly.

Offsetting of income against expenditure

Income and expenditure must be processed and accounted for separately. *Offsetting* of one against the other is not permitted. Senior Finance Officers must ensure that there is adequate segregation of duties between staff in income collection and expenditure roles.

Stock

Departments must manage *stock* (meaning the acquisition, storing, handling and issue or disposal of stock) in an effective way, which minimises potential loss, damage or obsolescence.

The procurement of stock items must be carried out in accordance with the Procurement Rules.

Departments must keep adequate records of stock items held to enable their effective management.

T&R is responsible for setting accounting policies relating to stock and for advising Departments on appropriate valuation and measurement methods.

Stock held on behalf of third parties must be managed according to the same principles and be separately identifiable.

Stocktaking

Physical stock must be verified to stock records on at least an annual basis, by way of a stocktake. Damaged or obsolete stock must be identified on a regular basis, disposed of appropriately (in accordance with any statutory requirements) and accounted for according to the States' accounting policies. Annual stocktakes may be attended by either the Internal or External Auditors as appropriate to their risk assessment for that stock.

Internal Control

Departments are responsible for identifying, installing and regularly reviewing *internal control systems*, including financial control systems, appropriate to the size of their operations, which safeguard the resources under their care.

Segregation of duties

Departments must install a robust system of internal controls to ensure there is adequate division of duties, including independent management oversight, between core financial processes, appropriate to the size of the Department.

Context

The States of Guernsey purchase a wide range of goods, *works* and services to meet the States' and the community's aims and needs. The States are committed to obtain *value for money* from all procurement so that public money is spent wisely.

These Rules, applied in conjunction with the Finance and Resource Directives and Guidance, promote good procurement practice and public accountability; they are applicable to all *contracts* for goods, works and services and must be complied with by all those involved in States procurement in any capacity.

The Treasury and Resources Department's mandate is to be responsible for providing services and advice to ensure that States procurement is efficient, effective and equitable. The Three "E's" are the cornerstones of achieving value for money.

The Rules promote compliance with all relevant laws and regulations so as to deter corruption and fraud within procurement, and they support States priorities, policies and objectives.

Delegated Authority

Any purchases carried out on behalf of the States must only be undertaken by officers with the appropriate delegated authority as set out in the Schedule of Limits. *Authorised Officers* shall be informed in writing of any delegated authority and any applicable financial threshold to their area of procurement. Authorised Officers must have the skills and knowledge appropriate to the task.

Steps Prior to Purchase

The *Authorised Officer* must appraise the purchase and, commensurate to its complexity, value and sensitivity, must:

- Identify and establish the need and its priority, and fully assess all options for meeting that need.
- Check whether a suitable corporate or departmental *framework agreement* exists before seeking to let another contract. Where a suitable contract already exists this must be used unless there is an auditable reason not to.
- Select the *procurement* process, strategy and structured project management approach that is most likely to achieve the procurement objectives.
- Ensure that appropriate legal, financial and professional advice both from internal sources or external sources is taken.
- Assess the risks associated with the purchase/project and how to manage them.

- Consider how to address any potential environmental and sustainability impact of the purchase to ensure minimal damage, both locally and globally, in manufacture, production, distribution, use and disposal.
- Ensure that all appropriate approvals and permissions are gained before inviting quotations or issuing *tenders*.
- Submit a *strategic review*, including an outline business case, for any proposal to be funded from the capital reserve, consistent with the requirements of the States in regard to prioritising, approving and controlling capital projects.
- Prepare a full *business case* for purchases exceeding the business case threshold as outlined in the *Schedule of Limits*, to be approved by the commissioning department and where appropriate Treasury and Resources Department. This business case must follow a standard template to enable comparisons with other proposed purchases

Authorised Officers may consult potential suppliers prior to the issue of an Invitation to Tender (ITT) in general terms about the subject of the tender but must not seek technical advice on the preparation of the ITT if this will prejudice equal treatment or distort competition with other tenderers.

Contract Values

There must be compliance with the value thresholds determining the procurement process to be undertaken.

The *total value* of any *contract* will be the whole of the value or estimated value for a purchase, whether or not it comprises several lots or stages. Purchases must not be fragmented to circumvent the tender process.

Contracts that form part or the whole of a capital project must be packaged (*packaging of contracts*) and treated in a manner that is consistent with the requirements of the States in regard to funding and controlling capital projects.

Authorised Officers must ensure that contracts for goods and services are aggregated into packages which are the most economically advantageous to the States.

Terms and Conditions of Contracts

The States of Guernsey is the legal entity for all *contracts*.

All contract terms and conditions shall be in a form approved by St James' Chambers. For contracts below the tendering threshold the States Standard Terms and Conditions will normally apply. For contracts above the tendering threshold, the standard template terms and conditions approved by St James Chambers must be used. Legal advice and approval must be sought from St James' Chambers for changes to any of the standard templates, or where the supplier's terms and conditions, or other terms and conditions are to be considered.

Terms and conditions must be agreed and signed before the commencement of the contract. If in exceptional circumstances there is a need to commence a contract prior to signing then St James Chambers must be advised so that appropriate legal measures can be taken.

Contract terms and conditions must be approved and signed in accordance with the schedule of limits and any departmental financial limits.

Authorised Officers must decide on the appropriate type and value of insurance cover, in line with advice from the States insurance advisors, applicable for each contract.

Where the supply of goods or provision of a service is of an ongoing nature, the *contract* shall not be extended beyond the period as detailed in the Directives without being retendered. The duration of the contract must be stated in the ITT and Terms and Conditions.

All Contracts

- shall be subject to a competitive process.
- shall be awarded on the basis of the offer which represents best value for money to the States.
- must be subject to regular and/or formal reviews over their lifetime.

Tendering and Tenders

Tendering Procedures

There are two main tender procedures to be used which are the Restricted and Open procedures.

Restricted procedure

The *Restricted Procedure* is a two stage bidding process. Suppliers who respond to advertisements expressing an interest are required to complete a pre-qualification questionnaire to establish that they have sufficient experience, capacity and resources to meet the needs of the tender

Only suppliers who are subsequently short-listed shall be invited to submit a *tender*.

The restricted procedure shall be used where large numbers of applicants are anticipated. This is the most widely used procedure within the States.

Open procedure

The *Open Procedure* is a one-stage process. All suppliers who request express interest will be invited to submit a tender. There is no pre-qualification questionnaire or short-listing stage prior to issuing an ITT.

Other procedures

In exceptional circumstances other recognised procedures, the *Negotiated Procedure* or *Competitive Dialogue*, may be appropriate. Due to the complex nature of these procedures and the skills required, advice is to be sought on their use, before a decision to proceed is taken, from the Director of Corporate Procurement.

Exceptions to tendering

Only in exceptional circumstances will exemption from tendering be granted. Authorisation must be sought from the *Chief Officer* and shall be reported to the Director of Corporate Procurement, Treasury and Resources. Reasons must be recorded, auditable and retained.

Advertising of Tenders

An outline description of the opportunity shall be advertised to ensure fair and open competition.

Pre-qualification

Pre-qualification ensures that the States only issues an Invitation to Tender (ITT) to suppliers who demonstrate appropriate experience, professional, business and financial standing, capabilities and resources to supply the subject of the tender. When tendering under the Restricted procedure, pre-qualification allows short listing for tender in a fair and open manner. The *pre-qualification questionnaire* (PQQ) must gather all the necessary information for fair evaluation but it must not be onerous for potential suppliers

The Invitation to Tender

The *Invitation to Tender* (ITT) shall include

- Background to the tender
- Instructions and information on tendering procedures
- Terms and conditions of contract (draft)
- Specification – a description of the goods, services or works being procured
- Tender response forms

All invitations to tender for a particular purchase must be identical. Individual tenderers must not be given different terms or information.

During the tendering process no supplier shall be given information from which an unfair advantage may be gained over rival tenderers who have not had access to that information.

The evaluation criteria, any sub criteria and the weightings applicable to them, against which all submissions will be assessed, must be detailed in the ITT.

The procurement timetable must allow a reasonable period for each part of the tender process.

Electronic Tendering

E-tendering provides web based technology that allows buyers and suppliers to securely manage the tender process on line and supports the States requirement for process efficiencies. Electronic tenders shall only be conducted via the States approved e-tendering system. This secure system provides a full audit trail and document management record of the tender process.

Submission and Opening of Tenders

Tenders shall be submitted in accordance with the requirements set out in the ITT. This must be in line with recognised best practice.

Paper tenders must be opened by no less than two persons authorised under the Schedule of limits and the responses recorded in writing and retained.

Electronic tenders can be opened by one person. Tender submissions made using the States e tendering system cannot be viewed, accessed or opened until the set deadline. Only those given the role of verifier on the system by the *Authorised Officer* can open tenders. A record of the tender submissions is automatically made and retained for audit purposes.

Post Tender Clarification

Post tender clarification shall be undertaken to clarify and correct bids to ensure that the purchaser understands the contents of each bid and all are without errors. Any exchange with potential suppliers must be recorded.

Tender Evaluation

The *Authorised Officer* shall establish an evaluation panel representing interested parties to undertake the evaluation process.

Short listing and final selection must be subject to the evaluation criteria, sub criteria and the weightings given in the tender.

A written record of the evaluation and selection process, the rationale and justifications must be retained to enable the tenderer debriefing process, inform any tenderer challenging the award decision and for audit purposes.

Post Tender Negotiation

Post tender negotiation must only take place in exceptional circumstances and must be undertaken by *Authorised Officers*, with the *Chief Officer's* agreement, in a professional and planned manner.

Contract Award

All contracts shall be awarded on the basis of the bid which represents best value for money to the States.

The *Authorised Officer* must ensure, prior to award, that the budget holder responsible for the contract has approval to finance and sustain the contract over its lifetime and that all other approvals including planning permissions and sub-committee approvals have been granted.

The Authorised Officer must notify all tenderers of the outcome of the award simultaneously and as soon as practicable after the award decision is made.

Details of bids must remain confidential. Where the contract is the subject of a States Report bids may be quoted but must not be attributed to specific suppliers.

Debriefing

The Authorised Officer shall provide a debriefing to tenderers if requested. This must not include any commercially sensitive information about competitors including details of bids.

Post Contract Award

Where the supply of goods or provision of a service is of an ongoing nature, the contract shall not be extended beyond five years without being tendered.

A nominated States contract manager and a supplier representative must be identified.

Contracts must be managed over their lifetime to ensure both parties fulfil their commitments and benefits are realised.

Contract Reviews

All capital proposals, subsequent projects and contracts must undergo reviews and monitoring during their lifespan relative to their value, complexity and risk to ensure both purchaser and supplier performs as agreed and intended. All other contracts must be subject to regular and/or formal reviews over their lifetime.

Framework Agreement

Framework agreements can be used where recurrent transactions of a similar type are likely. Purchases of goods, works and services can be "called off" in packages from these frameworks. The framework may require a mini competitive exercise to define total cost and any additional terms and conditions for specific packages. Any framework agreement shall be tendered in accordance with the Rules. Suppliers selected for a framework agreement are known as preferred suppliers. A framework agreement must not exceed the period as determined in the Directives.

Waiver in case of emergencies

The above Rules may be waived only in exceptional circumstances which are

- Where imperative maintenance or repairs to States property or assets are urgently required to prevent immediate danger to authorised users or members of the public.
- An Island-wide emergency which poses immediate risk to persons, property or serious disruption to essential States or Island services.

In the case of the first waiver authorisation must be gained from the *Chief Officer* and reported to the appropriate Head of Profession as soon as is practicable.

In the case of the second waiver, authorisation must be gained from the Chief Executive, or his delegated *Authorised Officer,* in their function relating to the Emergency Powers Authority[33].

[33] Mandates and Memberships of the States, *http://www.gov.gg/ccm/navigation/government/states-members-and-committees/mandates-and-memberships/*

Context

These rules apply to all land and property owned or occupied by the States of Guernsey[35] and its various Departments, covering all activities including the acquisition, disposal, leasing, maintenance, management, procurement and construction of property.

The Treasury & Resources Department is mandated to advise the States on the allocation and administration of all States *property* related resources, and is responsible for providing corporate property services and advice to Departments and Committees as well as directly administering certain land and properties owned or leased by the States.

The Treasury and Resources Department has delegated authority to:

1. Approve the processes, procedures and authorisations for property transactions.
2. Undertake all property negotiations, save those relating to tenancy agreements (undertaken by the Housing Department in respect of its social landlord role) or those relating to concession agreements for small premises within a property primarily used for States' purposes and which remain within the control of a States' Department. [36]
3. Assume responsibility for any States' property when it deems that a justifiable case has not been made by a Department for its retention.
4. Act as a holding agent for properties on behalf of the States of Guernsey.

Key principles

Departments must, at the earliest possible stage, liaise with the Treasury and Resources Department in respect of their property requirements in order to maximise the benefits from corporate working and derive the greatest potential benefit from the existing States land and property portfolio.

The States' land and property portfolio is a valuable corporate asset that must be managed in an efficient and effective manner by skilled and competent personnel so as to ensure best *value for money* and optimal use and return on investment. The portfolio must also be managed to comply with all legal, statutory and other requirements, including health and safety, as well as corporate and departmental objectives, priorities and business plans. Property decisions must consider fitness for purpose, flexibility, accessibility and risk. Environmental and energy efficiency measures must be proactively pursued in line with

[35] There are certain conditions under which the commercialised trading entities properties may be sold, disposed of, encumbered and so on. The written consent of the Treasury and Resources Department is required. That consent is not to be refused if that property has been offered for sale to the States at the open market value (within a six month period preceding that time)
[36] Treasury & Resources Department Report 'States Land and Property – Management and Administration', Billet d'Etat V, 2006.

corporate best practice so as to improve sustainability and reduce negative environmental impact.

The property portfolio must be monitored and reviewed on a regular basis to ensure that property performance can be measured, options and alternatives are considered, and evidence based decisions are taken on a fully informed basis.

General property rules

Property Decisions

In order to avoid abortive effort and expenditure, Departments must first consider the likelihood of obtaining the necessary funding and political approvals prior to committing resources to any property related proposal, as well as assessing the priority that should be afforded to the proposal compared with other Departmental and States initiatives.

The financial implications of land and property decisions must be assessed, recorded, and formally approved at the appropriate level and taken into account prior to implementation, including capital, annual revenue, whole lifecycle and other resource (e.g. staffing) costs. The short, medium and long-term effects on the public purse must be borne in mind. Non-financial costs (such as the impact on the public) and strategic opportunities must also be evaluated. Data gathering must be reasonable and proportionate, and must be capable of demonstrating sufficient prior investigation to support the proposals being put forward.

Departments must take fully into account their property requirements and associated costs when planning or evaluating changes to their service, including staffing changes. Where better, more cost-effective property solutions are identified, these must be recorded and recommended for a programme of implementation.

Departments must recognise and give proper regard to the corporate needs of the States and must not take decisions in respect of land and property that are likely to significantly disadvantage another Department or the States, without the full implications first being considered in consultation with the involved parties, including Treasury and Resources, and options being explored.

Departments must consult the Treasury and Resources Department, including the *Head of Profession* where appropriate, in relation to any property matter other than for routine estates and property management.

Management Tools and Methods

Management tools and other methods must be used where appropriate to achieve optimal performance of the portfolio, including (for example) value engineering, cost-benefit analysis, risk analysis, bench-marking, and the use of key performance indicators - following corporate best practice as this evolves. Reliable, accurate data including relevant financial and management information must be recorded to achieve full benefits realisation.

Resources

Departments must ensure that they control or else have access to appropriate financial and staff resources, including specialist support (for example, technical and commercial advice from States Property Services), to discharge their responsibilities with regard to property management.

Estates Management (including Property Asset Management)

Property Transactions

All negotiations for land and *property* transactions for the States of Guernsey must be conducted by the Treasury and Resources Department[37]. Departments must not make prior, direct approaches to third parties such as property owners, landlords or estate agents in respect of possible transactions.

Essential and Surplus Property

Only land and property that is essential to the delivery of Departmental mandates may continue to be held or occupied. Land and property that is surplus to Departmental requirements must be returned to the Treasury & Resources Department together with associated budgets that reflect the reasonable costs of holding the property concerned.

The Treasury and Resources Department has delegated responsibility from the States to approve the transfer of land and/or property administered by the Housing Department to approved housing associations for the purposes of redevelopment to meet housing needs identified through the Corporate Housing Programme.

The Housing Department is permitted to dispose of 'incompatible' properties (i.e. those that have been identified as uneconomic to retain or refurbish for social housing) under the value of £500,000 (being the value for *each* property), with the prior approval of the Treasury and Resources Department.

Rationalisation

The States approved Rationalisation Strategy[38] or its successor must be taken into account in the course of undertaking estate management of public properties. In particular, property must be viewed as a strategic corporate asset for the benefit of the States as a whole, and not just for individual Departments.

Asset Register

Departments must compile and maintain an asset register (in the corporate format) of property owned and occupied for the purposes of delivering their service.

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[37] Billet d'Etat V, 2006, Resolutions 1 and 2 and any approved successor to this

[38] Billet d'Etat V, 2006 and the Treasury and Resources Department Report 'States Property Rationalisation' (Billet d'Etat XXIV, 2007, particularly Appendices 1 and 2) refer.

Asset Management Plan

Departments must compile and maintain a Departmental *Asset Management Plan*, and an individual Property Asset Management Plan (both in the corporate format) for owned and/or occupied property under their control.

Plans must recognise the strategic, social, historical, cultural and other importance of property holdings, which may have non-financial as well as financial value.

The contribution of land and property to corporate and Departmental objectives, and service delivery, must be documented, clear and demonstrable and have a definite public benefit.

Cost of Occupation

Departments must take appropriate steps to obtain and make available to their Boards details of the true cost of occupying land and property used in delivering their services. This includes, but is not limited to, the capital value of property and the revenue costs of occupation.

Planning applications for States owned and managed property

Departments proposing alterations to, or a change of use of, States owned or managed property which require Environment Department approval must notify States Property Services at the earliest opportunity.

Departments shall provide (by email) all completed applications for States Property Services to provide the relevant owner's consent prior to that Department making a formal submission to the Environment Department.

Performance

Departments must be able to demonstrate that value for money is being achieved and that the estate is performing to an acceptable standard, giving due recognition to corporate best practice as it evolves. Poor performing property must be identified and appropriate action taken, including possible disposal. Assessment of performance must consider appropriate measurements, performance indicators and benchmark standards, as well as the impact on occupiers and business users.

Property Management (including Facilities Management)

Proactive Management

Retained property must be proactively managed so as to maintain or improve its condition, suitability, value and capacity, giving due regard to its individual Asset Management Plan.

Best Value Investment

Expenditure and investment decisions must demonstrate best value.

Maintenance Planning

Planned and cyclical maintenance schedules must be documented for each property and applied in accordance with the relevant Directives.

A balance of factors must be taken into account when planning maintenance regimes, including cost, quality, value for money, condition surveys, service needs, efficiency and energy.

Construction & Engineering (comprising capital projects)

Capital construction and engineering projects must be progressed in accordance with the relevant Directives and recognised best practice, bearing in mind factors relevant to Guernsey.

Standards and Benchmarks

Construction and engineering projects must take into account recognised design, cost, benchmark and space standards (including relevant corporate, national and international standards) at the appropriate stages of development.

Context

Information and Communications Technology (*ICT*) refers to all computer hardware, software and networks (including data, telephony and CCTV) in terms of its design, development, installation, maintenance, support and security. Good computing practices govern the way in which ICT is deployed and Data Protection laws govern the way in which data can be shared and utilised. The ICT infrastructure may be subject to audit for compliance by both internal and external.

A key part of ICT good practice is to ensure an adequate segregation of duties and responsibilities so that data cannot be compromised by either internal or external interventions. Background monitoring and audit trails are therefore employed to provide this assurance.

The role of the corporate IT Unit is to work with operational delivery and ICT representatives across the States Departments to ensure that ICT is business driven, that it is fit for purpose and fully supports the States of Guernsey business and services in all its guises. Data security is paramount in this structure.

The Treasury and Resources Department is mandated, the responsibility for:

"The development of corporate policies concerning the States use of information and communication technology and the provision, administration and security of the States ICT network."[43]

These rules ensure that the States ICT personnel and infrastructure are used for corporate goals and advantage and aims to maximise the cost savings and benefits to the States of Guernsey.

[43] Billet d'Etat XXIV, 29 October 2003

Security

Departments must comply with the States ICT Security Directives in order to protect data and employees.

All *Non-States bodies* which have all or part of their infrastructure hosted within the States data centres or are connected via the States *network* must comply with the States ICT Security Directives.

All contractors and third parties who access States systems, whether remotely or on site must comply with the States ICT Security Directives.

Network

The States *network* must be owned and operated by the corporate IT Unit and all changes required must follow strict and agreed change control processes.

Equipment Disposal

Disposal of ICT equipment must comply with States standards in order to ensure security of data and protection of the environment.

Technical Architecture

Departments must install systems that are in line with the current States Technical ICT Architecture.

Licensing & Regulations

Departments must comply with licensing rules and applicable external regulatory requirements.

Project Governance

All key projects, as defined in the key project list that forms part of the ICT Strategy, must be run according to structured project management principles and have a Project Board.

New & Replacement Systems

All projects involving any new or changing element of ICT must involve the corporate IT Unit at the outset to ensure that ICT Rules are met.

Maintenance & Support

All hardware and software must be suitably licensed and covered by warranty and support agreements from the supplier appropriate to the criticality of the system. Every system needs to be checked regularly in order to ensure that it is still fit for purpose and that regular maintenance and system updates are scheduled and applied. A system that is out of warranty must continue to have some form of support contract if it remains part of an active system on the States managed network.

Context

The Scheme of Delegation contains a summary of the authority delegated by the States to Departments in relation to the management of public funds and resources. This delegated authority is summarised in following table:

Description of power delegated	Delegated to	Value if relevant
Capital Expenditure		
Routine Capital Expenditure - Capital expenditure from Department's own routine capital allocation *but* must receive prior approval from the appropriate Head of Profession (Property, Procurement or ICT).	All Departments (by a resolution of their Board)	Up to £250,000
Capital Prioritisation Projects - Expenditure up to tender stage on projects prioritised by the States in the capital prioritisation process	Treasury & Resources Department	Any value
Capital Votes for straight replacements	Treasury & Resources Department	Costing more than £250,000 with no limit.
Emergency Capital Expenditure	Treasury & Resources Department	Any value
Overspend on any capital project	Treasury & Resources Department	Up to £250,000
Corporate Housing Programme - capital expenditure (including grant funding to housing associations)	Housing Department and Treasury & Resources Department	Any value within available funds
Revenue Expenditure		
Increase in any Department's Revenue expenditure budget. Must be reported retrospectively to the States in the Budget Report.	Treasury & Resources Department	Maximum of £250,000 (or 2% if higher) per annum
Emergency Revenue Expenditure	Treasury & Resources Department	Any value

Description of power delegated	Delegated to	Value if relevant
Unspent Balances		
Use of *Unspent Balances* by a Department for revenue or capital items.	Treasury & Resources Department	Any value
Property		
Property purchases	Treasury & Resources Department	Any value
Property sales *Except* properties of historic importance *Except* sale of incompatible housing stock	Treasury & Resources Department States of Deliberation Housing Department	Any value Any value Up to £500,000
Leases *Except* properties of historic importance to be leased out for a period of 21 years or more *Except* where a proposed lease contains an option for renewal, where if exercised, this option would extend the total lease term beyond 21 years. *Except* States-owned domestic accommodation leased by the Housing Department in its role as a social landlord.	Treasury and Resources Department States of Deliberation States of Deliberation Housing Department	
Wayleaves, Rights of Way and Licences	Treasury and Resources Department	
Concessions (within States buildings)	Departments	
Loans or Grants to Registered Charities		
Authorising Departments and Committees to make such loans or grants to registered charitable bodies and similar organisations and upon such terms that the Treasury and Resources Department may approve	Treasury & Resources Department	

Description of power delegated	Delegated to	Value if relevant
Investments		
Amounts to invest in accordance with the *Permitted Investment Rules*	Treasury & Resources Department or Social Security Department according to fund[45]	
Borrowing		
Authorising Departments and Committees to borrow temporarily by way of overdraft from the banks or from the States Treasury or in any other manner approved by the Treasury and Resources Department, for such purposes, for such periods, up to such amounts, at such rates of interest and on such terms that the Treasury and Resources Department may approve	Treasury & Resources Department	
For States to borrow from or lend to externally	Treasury & Resources Department	
Loans or Grants to Registered Charities		
Authorising Departments and Committees to make such loans or grants to registered charitable bodies and similar organisations and upon such terms that the Treasury and Resources Department may approve	Treasury & Resources Department	

[45] Guernsey Insurance Fund, Guernsey Health Service Fund and Long Term Care Insurance Fund - Social Security Department. Superannuation Fund and Contingency Reserve Fund - Treasury and Resources Department