

Financial Regulations

December 2022



RESPECTFUL
SUPPORTIVE

Financial Regulations

Index

	Page no
Scope and Observance	<u>1</u>
1. Financial Administration	<u>2</u>
1.1 Responsibility of the Council	
1.2 Responsibility of Cabinet	
1.3 Responsibility of the Proper Officer for Financial Arrangements of the Council (ie Section 95 Officer)	
1.4 Responsibility of Directors, Heads of Service and Assistant Directors	
1.5 Scope of Financial Regulation with regard to the Health and Social Care Partnership Arrangement with the South Ayrshire Integrated Joint Board	
2. Capital Investment Programme	<u>3</u>
2.1 Financial Plan for Capital Investment Programme	
2.2 Capital Investment Programme	
2.3 Form	
2.4 Preparation	
2.5 Authorisation Procedure	
2.6 Effect of the Authorisation	
2.7 Delivery of Capital Projects	
3. Control of Capital Expenditure	<u>5</u>
3.1 Limitation on Expenditure	
3.2 Budget Variance and Transfers during the life of a Capital Project	
3.3 Budgetary Control	
4. Revenue Estimates	<u>6</u>
4.1 Information	
4.2 Guidelines	

4.3	<i>Preparation</i>	
4.4	<i>Authorisation Procedure</i>	
4.5	<i>Additional Funding Received</i>	
5.	Control of Revenue Expenditure	<u>7</u>
5.1	<i>Need for Panel Consent</i>	
5.2	<i>Limitation on Expenditure</i>	
5.3	<i>Budgetary Control</i>	
5.4	<i>Budget Transfers</i>	
5.5	<i>Variances</i>	
5.6	<i>Reports to Panels</i>	
5.7	<i>Use of the Contingency Fund</i>	
5.8	<i>Use of the Efficiency and Improvement Fund</i>	
5.9	<i>Use of the Repair and Renewal Fund</i>	
5.10	<i>Use of Workforce Change Fund</i>	
5.11	<i>Use of Uncommitted General Reserves</i>	
6.	Legality of Expenditure	<u>12</u>
7.	Control of Income	<u>12</u>
7.1	<i>Determination of Charges</i>	
7.2	<i>Accounting Arrangements</i>	
7.3	<i>Notification of Income to Head of Finance, ICT and Procurement</i>	
7.4	<i>Write-offs</i>	
7.5	<i>Treatment of Monies Collected</i>	
7.6	<i>Controlled Stationery</i>	
7.7	<i>Personal Cheques</i>	
7.8	<i>Transfers of Cash, Cheques, etc</i>	
7.9	<i>Grant Income</i>	
7.10	<i>Contract Rebates (Cash)</i>	
8.	Treasury Management	<u>15</u>
8.1	<i>Treasury Management Statement and Practices</i>	
8.2	<i>Borrowing Arrangements</i>	
8.3	<i>Borrowings to be in Name of the Council</i>	

8.4	<i>Registrar of Stocks, Bonds and Mortgages</i>	
8.5	<i>Leasing</i>	
9.	Banking and Control of Cheques	<u>16</u>
9.1	<i>Arrangements with Bankers</i>	
9.2	<i>Opening and Closing of Bank Accounts</i>	
9.3	<i>Payments into Bank</i>	
9.4	<i>Cheque Control</i>	
10.	Credit Cards	<u>17</u>
10.1	<i>Scope</i>	
10.2	<i>Approval to Use</i>	
10.3	<i>Credit Limits</i>	
10.4	<i>Authorisation</i>	
10.5	<i>Accounting Arrangements</i>	
11.	Purchasing Cards	<u>18</u>
11.1	<i>Scope</i>	
12.	Investments and Trust Funds	<u>18</u>
12.1	<i>Investments</i>	
12.2	<i>Deposit of Trust Securities</i>	
12.3	<i>Control of Charitable Funds</i>	
13.	Stores, Inventories and Costing	<u>18</u>
13.1	<i>Costing System and Stores Control</i>	
13.2	<i>Custody of Stores and Stocktaking</i>	
13.3	<i>Write-offs or Surpluses of Stores</i>	
13.4	<i>Inventories</i>	
13.5	<i>Use of Equipment and Stores</i>	
14.	Procurement of Goods and Services and Payment of Accounts	<u>19</u>
14.1	<i>Method of Payment</i>	
14.2	<i>Official Orders</i>	

14.3	<i>Procurement</i>	
14.4	<i>Check on Goods, Materials and Services Received</i>	
14.5	<i>Creditor Status</i>	
14.6	<i>Certification of Payment</i>	
14.7	<i>Direct Electronic Bank Payments</i>	
14.8	<i>Payments in Advance</i>	
14.9	<i>Duplicate Invoices, etc</i>	
15.	Accounting	<u>22</u>
15.1	<i>Accounting Procedures and Records</i>	
15.2	<i>Internal Check</i>	
15.3	<i>'Year End' Accounting Returns</i>	
16.	Surplus or Deficit on Property Maintenance Service	<u>23</u>
16.1	<i>Background</i>	
16.2	<i>Treatment of Surplus or Deficit</i>	
16.3	<i>Accounting mechanism</i>	
17.	Internal Audit	<u>23</u>
17.1	<i>Responsibility for Internal Audit</i>	
17.2	<i>Reporting Arrangements for Internal Audit</i>	
17.3	<i>Authority of Audit</i>	
17.4	<i>Irregularities</i>	
18.	Cash Imprests/ Petty Cash	<u>25</u>
18.1	<i>Purpose of Cash Imprests</i>	
18.2	<i>Provision of Imprests</i>	
18.3	<i>Bank Accounts for Imprest Holders</i>	
18.4	<i>Exclusion of Payments to the Council</i>	
18.5	<i>Limit on Expenditure</i>	
18.6	<i>Accounting Arrangements</i>	
18.7	<i>Statement of Account</i>	
18.8	<i>Termination as Imprest Holder</i>	

19.	Claims for Expenses and Allowances	<u>26</u>
19.1	<i>Arrangements for Claims</i>	
19.2	<i>Regulations</i>	
19.3	<i>Employees' Claims</i>	
19.4	<i>Certification of Employees' Claims</i>	
19.5	<i>Members' Claims</i>	
20.	Salaries, Wages and Pensions	<u>27</u>
20.1	<i>Information regarding Payroll Amendments</i>	
20.2	<i>Arrangements for Payments</i>	
20.3	<i>Form and Certification of Records</i>	
21.	Security	<u>28</u>
21.1	<i>Responsibility for Security</i>	
21.2	<i>Limits to Cash Holdings</i>	
21.3	<i>Safe Keys</i>	
21.4	<i>Pre-printed/ Pre-signed Cheques, etc</i>	
21.5	<i>Security/ Retention of Documents</i>	
21.6	<i>Data Protection Act/ Regulations</i>	
21.7	<i>Asset Register</i>	
22.	Risk Management and Insurance	<u>29</u>
22.1	<i>Responsibility for Risk Management and Insurance</i>	
22.2	<i>Identification of Risk</i>	
22.3	<i>Notification of Claims</i>	
22.4	<i>Fidelity Guarantee Insurance</i>	
22.5	<i>Review of Insurance Cover</i>	
23.	Contracts for Capital Works	<u>30</u>
23.1	<i>Record of Contracts</i>	
23.2	<i>Variations to Contracts</i>	
23.3	<i>Claims from Contractors</i>	
23.4	<i>Delay of Contract</i>	
23.5	<i>Interim Payment</i>	

23.6	<i>Reports on Final Measurements/ Final Contract Amount</i>	
23.7	<i>Procurement Procedures/ Guidance</i>	
24.	Economy, Efficiency and Effectiveness/ Best Value	<u>31</u>
25.	External Funding (<i>Following the Public Pound</i>)	<u>32</u>
26.	Partnerships	<u>32</u>
27.	Devolved Management of Resources	<u>33</u>
28.	Observance of Financial Regulations	<u>33</u>
28.1	<i>Responsibility of Directors, Heads of Service and Assistant Directors</i>	
28.2	<i>Breach of Regulations</i>	

Financial Regulations

Scope and Observance

South Ayrshire Council is accountable for the stewardship of public funds. Stewardship is a function of management, and, therefore, a responsibility placed upon the Elected Members and officers of the Council. Responsibility is discharged by the establishment of sound arrangements and systems for the planning, appraisal, authorisation and control over the use of resources, and by the preparation, maintenance and reporting of accurate and informative accounts.

Failure to observe these financial regulations may be regarded as a breach of trust and may result in disciplinary action.

These financial regulations should be read in conjunction with other regulations of the Council, such as:

- Standing Orders Relating to Meetings;
- Standing Orders Relating to Contracts;
- Scheme of Delegation;
- Special Investigations Procedure;
- Disciplinary procedures;

and with other regulations observed by the Council:

- Data Protection legislation and regulations;
- the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom (The Code);
- the CIPFA Service Reporting code of Practice for local authorities (SERCoP)
- the CIPFA Code for Treasury Management in Local Authorities;
- the Prudential Code for Capital Finance in Local Authorities;
- the CIPFA Code on Best Value Trading Operations; and
- the Public Sector Internal Audit Standards.

Elected Members and officers have a duty to abide by the highest standards of probity in dealing with financial issues. This is facilitated by ensuring that everyone is clear about the standards to which they are working and the controls that are in place to ensure that these standards are met.

The key controls and control objectives for financial management standards are:

- the promotion of the highest standards of financial management throughout the authority;
- a monitoring system to review compliance with financial regulations;

- regular comparisons of actual financial performance with planned performance that are reported to the Cabinet; and
- the Audit and Governance Panel (as the Council's Audit Committee), fulfilling its duties under the Standing Orders and Scheme of Delegation.

1. Financial Administration

1.1 *Responsibility of the Council*

The Council is responsible for setting the Council's annual budgets, housing rent and Council Tax levels and the level of bad debt provision. The Council is also responsible for approving the Treasury Management Strategy of the authority.

1.2 *Responsibility of Cabinet*

Subject to the terms of reference of Panels, the Cabinet is responsible for regulating and controlling the finances of the Council within the budgets and policy frameworks determined by the Council.

1.3 *Responsibility of the Proper Officer for Financial Arrangements of the Council (ie Section 95 Officer)*

The proper officer for the financial arrangements of the Council (Section 95 Officer) as set out in the Scheme of Delegation shall:

- (1) be the proper officer of the Council for the purposes of Section 95 of the Local Government (Scotland) Act 1973 for the administration of the financial affairs of the authority; and
- (2) act as financial adviser to the Council and all its Panels.

Specific responsibilities include:

- (1) to advise Elected Members on a financial strategy;
- (2) to ensure the proper administration of the financial affairs of the authority;
- (3) to set the financial management standards, as outlined in the various CIPFA Codes of Practice, and to ensure that compliance with them is monitored;
- (4) to ensure proper professional practices are adhered to, and to act as head of profession in relation to the standards, performance and development of finance and accounting staff throughout the authority;
- (5) to advise on the key strategic controls necessary to secure sound financial management; and
- (6) to ensure that financial information is available to enable accurate and timely monitoring and reporting of financial performance.

1.4 ***Responsibility of Directors, Heads of Service and Assistant Directors***

- (1) Directors, Heads of Service and Assistant Directors shall at all times seek to secure the best value for expenditure incurred by them with the objective of achieving the agreed policies, objectives and outcomes of the Council at the most effective cost.
- (2) Each Director, Head of Service and Assistant Director shall consult with the Head of Finance, ICT and Procurement in respect of any matter affecting his/ her Directorate/ service which is liable to affect materially the finances of the Council before any provisional or other commitment is incurred, or before reporting thereon to a Panel, except in an emergency and/ or as authorised by any Scheme of Delegation. In such cases of emergency, it must be reported to the Head of Finance, ICT and Procurement as soon as possible thereafter.
- (3) It is the responsibility of all Directors, Heads of Service and Assistant Directors to promote awareness of and adherence to these financial regulations.

1.5 ***Scope of Financial Regulations with regard to the Health and Social Care Partnership Arrangement with the South Ayrshire Integration Joint Board (the 'IJB')***

- (1) The IJB is a legal entity in its own right created by Parliamentary Order 2015 No 88 (The Public Bodies (Joint Working) (Board Establishment) (Scotland) Order 2015) which came into effect on 1 April 2015 following Ministerial approval of the Integration Scheme between the Council and NHS Ayrshire and Arran.
- (2) The IJB is accountable for the stewardship of public funds and is expected to operate under public sector best practice governance arrangements, proportionate to its transactions and responsibilities. Stewardship is a function of management and, therefore, a responsibility placed upon the appointed members and officers of the IJB.
- (3) Prior to any funding being passed by the Council to the IJB as part of the IJB's integrated budget, the Council's Financial Regulations will apply. Similarly, once funding has been approved from the integrated budget by the IJB and directed by it to the Council for the purposes of service delivery, the Financial Regulations of the Council will then apply to the directed sum, which will be utilised in accordance with the priorities determined by the Board in its Strategic Plan.

2. **Capital Investment Programme**

2.1 ***Financial Plan for Capital Investment Programme***

The procedure for the preparation annually of a financial plan for the capital investment programme is as detailed within the Council's Asset Management Plan.

Capital Asset Management Group ('CAMG')

The Capital Asset management Group is established under the Council's Asset Management Plan to ensure the effective management of the capital investment programme and the evaluation of new bids brought forward. It comprises senior officers representing all services.

2.2 Capital Investment Programme

The Capital Investment Programme estimates shall detail the committed capital projects and new capital projects on which the Council intends to incur expenditure inclusive of commitments where projects span more than one financial year.

2.3 Form

The detailed form of the Capital Investment Programme shall be determined by the Chief Executive in consultation with the Director of Housing, Operations and Development and the Head of Finance, ICT and Procurement.

2.4 Preparation

- (1) All Directors, Heads of Service and Assistant Directors shall provide such information as may be required for the purpose of preparation of the General Services Capital Investment Programme. This will be co-ordinated by the Director of Housing, Operations and Development and submitted to the CAMG for consideration prior to the authorisation process as outlined in 2.5 below.
- (2) Housing capital estimates will be prepared by the Director of Housing, Operations and Development and submitted to the CAMG for consideration prior to the authorisation process as outlined in paragraph 2.5 below.

2.5 Authorisation Procedure

The Capital Investment Programmes shall be submitted to the Council for approval.

2.6 Effect of the Authorisation

The approval of the Capital Investment Programmes by the Council shall permit Directors, Heads of Service and Assistant Directors:

- (1) to incur preliminary expenses, preparatory works and design costs etc in respect of projects;
- (2) to take the steps necessary to acquire land associated with projects; and
- (3) to proceed with projects within the capital investment programmes, subject to further approval in terms of paragraph 3.2 below in the event that the actual tender cost of the project or the revised estimate of the project exceeds the provision in the capital estimates.

2.7 ***Delivery of Capital Projects***

All General Services Capital projects and Housing capital projects shall be delivered through the Director of Housing, Operations and Development.

3. **Control of Capital Expenditure**

3.1 ***Limitation on Expenditure***

No capital expenditure shall be incurred unless:

- (1) the expenditure is provided for in the Capital Investment Programmes estimates; and
- (2) it meets the definition of capital expenditure in the CIPFA Code of Practice, which states that ‘the expenditure results in the acquisition, construction, or enhancement of fixed assets (tangible and intangible) in accordance with proper practices’. Scottish Ministers may also issue guidance that it would be proper practice to capitalise specified expenditure.

3.2 ***Budget Variance and Transfers during the Life of a Capital Project***

The CAMG is responsible for ensuring that the capital projects are delivered on time and for considering where projects may be advanced or delayed within the programme.

If, at any time following approval it becomes apparent that a capital project will be overspent or if the phased expenditure for the current year is likely to vary between years, then following consultation at either the Asset Management Sub-Group or the Housing Asset Management Sub-Group, it shall be the duty of the Director of Housing, Operations and Development to report such variation immediately to the Capital Asset Management Group (CAMG).

Budget variances across capital projects may be:

- (1) balanced by a budget transfer from another capital project providing such transfer is within the overall capital programme; or
- (2) balanced by identifying an alternative source of funding, subject to approval of the Head of Finance, ICT and Procurement.

Where the variance amount involved is less than £100,000, the transfers or adjustments to funding shall be considered by the CAMG and formally approved by the Director of Housing, Operations and Development as Chair of the CAMG.

Thereafter, a report must be submitted by the Director of Housing, Operations and Development to the Cabinet highlighting the variance, and the projected level of out-turn across the programme.

Where the variance amount is in excess of £100,000 or if the phased expenditure for the current financial year is at any time expected to vary by an amount in excess of £100,000, then approval must be sought from Cabinet:

- (1) to transfers budgets between projects;
- (2) to re-profiling budgets between years; and
- (3) to identify and seek approval of any alternative or additional funding required.

A report shall be submitted by the Director of Housing, Operations and Development to the Cabinet highlighting the reasons for the proposed variance, management action being taken and the projected level of out-turn variance across the programme and seeking Member approval.

In applying the budget transfer rules outlined above, all transfers to or from a project should be considered on a cumulative basis (both on an 'in year' and 'cross year' basis) – for example, if a transfer request is received for £90,000, and previously a budget transfer has been processed for £50,000 from/ to the same project, then that would result in a cumulative total of £140,000, and would therefore require Cabinet approval.

3.3 ***Budgetary Control***

In consultation with the Head of Finance, ICT and Procurement, the Director of Housing, Operations and Development shall provide, for General Services and for Housing capital, regular budgetary control statements to Cabinet comparing actual spend with the initial and revised capital estimates in respect of each element.

It shall be the duty of the Director of Housing, Operations and Development, for General Services and for Housing, to ensure that the provision in the capital estimates is not exceeded, and that the expenditure conforms to the requirements of these regulations.

4. **Revenue Estimates**

4.1 ***Information***

Each Director and Head of Service shall provide the Head of Finance, ICT and Procurement with such details as may be required for the purposes of preparing the revenue estimates.

4.2 ***Guidelines***

After consultation with the Chief Executive and Directors, the Head of Finance, ICT and Procurement shall report to the Cabinet on the strategy to be adopted prior to recommending to Council the resource levels to be allocated to each Directorate for the purpose of preparing the revenue estimates.

4.3 ***Preparation***

The Chief Executive and each Director shall, in conjunction with the Head of Finance, ICT and Procurement, prepare revenue estimates in respect of his/ her Directorate/ services in accordance with resource allocations laid down by the

adopted strategy, and to a timetable set by the Head of Finance, ICT and Procurement, with the approval of the Chief Executive.

4.4 ***Authorisation Procedure***

The revenue estimates for each financial year shall be submitted to the Council for approval, along with a recommendation as to the Council tax and Council house rent levels to be set (in accordance with statutory requirements).

4.5 ***Additional Funding Received***

Any additional funding received by the Council after approval of the revenue estimates for the year shall be notified to the Cabinet together with detailed spending proposals, subject to the transfer limits at section 5.4 below.

5. **Control of Revenue Expenditure**

5.1 ***Need for Panel Consent***

Expenditure shall only be incurred with the approval of the Cabinet, except as authorised by the approved estimates, and in accordance with the Scheme of Delegation and the Standing Orders Relating to Contracts.

5.2 ***Limitation on Expenditure***

No expenditure chargeable to the revenue account shall be incurred unless it has been included in the revenue estimates, except:

- (1) where a supplementary estimate has been approved by the Cabinet or Council; or
- (2) in unanticipated situations in consultation with the Chief Executive and Head of Finance, ICT and Procurement, provided that the expenditure is reported to the first available Cabinet; or
- (3) in emergency situations in terms of the Scheme of Delegation; or
- (4) as provided for by the rules on budget transfer in section 5.4 below.

5.3 ***Budgetary Control***

It is the responsibility of the Head of Finance, ICT and Procurement and the Chief Executive and Directors to furnish regular budgetary control statements to Cabinet on revenue account income and expenditure comparing actual spend with the respective estimates.

It is the responsibility of the Chief Executive, Directors, Heads of Service and Assistant Directors concerned to ensure that items of expenditure in the revenue estimates of his/ her Directorate/ services are not overspent, and that the income and expenditure of his/ her Directorate/ services conform to the requirements of these regulations.

The Chief Executive, Directors, Heads of Service and Assistant Directors shall also provide the Head of Finance, ICT and Procurement with whatever assistance and information he/ she considers necessary in order to ensure the effectiveness of the budgetary control system.

It shall be the duty of the Head of Finance, ICT and Procurement to report regularly to the Cabinet and/ or Council on the current overall financial position of the Council.

5.4 **Budget Transfers**

A Budget Transfer shall be permitted only in the following circumstances:

- (1) A deficit under those subjective headings as defined by the CIPFA Service Reporting Code of Practice (SERCoP) and objective headings as defined by the Head of Finance, ICT and Procurement and as revised from time to time as required, may be balanced by a transfer from another head of expenditure on which there is a surplus, where the deficit has arisen due to circumstances which could not have been foreseen, and the transfer does not involve a change of policy of the Council.

Where the amount involved is £25,000 or under (Stage 1), the transfer shall be agreed between the Finance Co-ordinator and the Service Lead/ budget holder. Where the amount is between £25,000 and £50,000 (Stage 2), the transfer shall require the additional approval of the Service Lead – Corporate Accounting. Where the transfer is between £50,000 but less than £100,000 (Stage 3), the transfer shall also be agreed by the Director/ Head of Service and the Head of Finance, ICT and Procurement, in consultation with the Portfolio Holder. Where the amount is £100,000 or over (Stage 4), the transfer shall be approved by the Cabinet.

In applying the budget transfer rules outlined above, all transfer should be considered on a cumulative basis – for example, if a transfer request is received for £22,000, and previously a budget transfer has been processed for £31,000 from/ to the same objective/ subjective heading, then that would result in a cumulative total of £53,000, and would therefore require a Stage 3 approval.

A de-minimis of £5,000 will apply (below which no formal approval process is required) and all authorisation of budget transfers will be by e-mail, except where a decision of Cabinet is required.

- (2) Where a net saving could be achieved by overspending under one head of expenditure without changing the policy of the Council, a transfer may be made from a head of expenditure which is in surplus, provided approval as in paragraph (1) above has been obtained.
- (3) Where new external grant income is received, the limits outlined in paragraph (1) above shall apply to all monies received/due to be received, subject to section 7.9 (below).

- (4) The rules concerning budget transfer within those service areas that fall under the Council's Devolved School Management (DSM) scheme are separately defined by the DSM policy.

Adherence to budget transfer rules is not required in the following circumstances:

- (1) where management responsibility for service delivery transfers from one Directorate or service to another;
- (2) where service responsibility transfers to the local authority from an external agency; and
- (3) where centrally-held budgets are allocated to service Directorates following approval of the annual revenue estimates – for example, payroll management target, utilities, central support.

5.5 ***Variances***

A Explanation of Variance

Where it appears that the actual amount of income or expenditure may vary materially or significantly (as defined below) from that appearing in the revenue estimates, it shall be the duty of the Chief Executive or Director concerned, in conjunction with the Head of Finance, ICT and Procurement, to report to the Cabinet as soon as possible after the variance has become apparent, highlighting the reasons for the variance, management action being taken and the projected level of out-turn variance.

B Materiality and Significance

Appropriate focus should be placed on variance analysis, the objective being to secure sufficient coverage of those variances that contribute most to the deviation from income and expenditure budgets rather than a comprehensive line by line analysis. By necessity, this will be a subjective professional judgment. Prescription is not advocated, as the materiality threshold for variance explanations will vary in accordance with:

- (1) reporting levels;
- (2) scale of budget; and
- (3) impact on service delivery and performance.

5.6 ***Reports to Panels***

All reports presented to Council/ Panels must specifically identify the extent of any resource implications (Financial, Legal, Procurement and Human Resources). Reports to Panels must identify the costs and income/projected income in the current and future years, the impact on capital and revenue spending and whether or not, and exactly where, funding (including any additional funding required) is included in budget, or, if not, how and from where it is proposed that such financial resources be obtained.

The financial implications contained in reports must be agreed with the Head of Finance, ICT and Procurement or his/ her representative prior to issue of the report.

5.7 Use of the Contingency Fund

A - Qualifying Criteria

Where a contingency fund has been approved and included in the revenue estimates for the year, it should only be used to finance unexpected items of expenditure which it is necessary to incur, and which are outwith the level of service provided for in the approved revenue budget.

These items must be significant, and no contingency draws for sums of less than £25,000 will be considered (except in *exceptional circumstances*, and only by agreement with the Head of Finance, ICT and Procurement).

All contingency draws must also be classified as either recurring or non-recurring draws. In the case of recurring draws, these will automatically be built into the base during the budget process each year.

B - Access to the Fund

Where it is proposed to submit a report to the Cabinet in which the recommendation is that a contingency draw be sought, this report must first be considered by the Executive Leadership Team.

5.8 Use of the Efficiency and Improvement Fund

In order to re-design and develop service provision to be more efficient and effective, proposals may require up-front investment in new technology, additional temporary staffing resources, the introduction of alternative work patterns or other costs to enable the Council to secure savings or maximise income in the longer term (ie 'spend-to-save' initiatives). This fund is used to provide short-term enabling funding to promote and support service redesign.

To utilise the fund where the amount requested is £50,000 or under, the request shall be considered and agreed by the Chief Executive and Directors. All requests greater than £50,000 require to be considered by the Chief Executive and Directors and thereafter submitted to the Cabinet for approval.

5.9 Use of the Repair and Renewal Fund

This fund is used to assist with abnormal repairs and maintenance to Council properties where these arise in an emergency situation and there is no mainline budget available, or where the use of the fund was planned as part of the budget process. It may also be used to facilitate asset improvement and savings/efficiencies.

Works requiring to be undertaken and proposed to be funded by this Fund below £100,000 will require to be considered by the Capital Asset Management Group and formally approved thereafter by the Director of Housing, Operations and Development, as Chair of the CAMG. Works in excess of £100,000 will require to be considered by the Capital Asset Management Group and formally approved thereafter by the Cabinet.

5.10 ***Use of the Workforce Change Fund***

The Workforce Change Fund is an earmarked fund within General Reserves and is used to meet the severance and other employee related costs arising from any Council's workforce service redesign measures. The level of the fund is reviewed regularly (at least annually) to ensure that the Council has sufficient funds available to support service redesign over the forthcoming period.

In order to access the fund the action being taken in releasing staff must meet the following two criteria:

- (1) be an approved council saving i.e. it appears in the Council's annual budget or is agreed as a separate Cabinet or Council paper; and
- (2) a maximum two year savings payback period will apply in all cases in relation to the cost of releasing the staff (ie - the time taken to recover the compensation costs against normal salary costs).

For example, if the cost of releasing the staff is £50,000 and the annual saving achieved is £25,000 or more then the costs of severance will effectively be paid back within the two year period. Conversely if the cost of releasing the staff is £50,000 and the saving is only £23,000 per annum then two years saving would only equate to £46,000 and therefore this criteria would not be met and any cost would have to be borne **in full** by the service rather than the workforce change fund.

No proportionate payments will be made from the fund if the two year payback criteria is only partially met, ie - if the payback period is greater than two years then the full cost will have to be borne by the service and not just the difference between the two year saving and the cost of releasing the staff.

Applying the maximum payback criteria at (2) above ensures that the Council adheres to the Scottish Government's non-legislative reform of public sector severance arrangements guidance, published in June 2019, which recommends that any severance costs be off-set by savings over a maximum 2-year payback period. This approach will ensure best value is achieved in service redesign.

5.11 ***Use of Uncommitted General Reserves***

The use of General Reserves shall either:

- (1) form part of the approved annual revenue budget; or
- (2) be used to finance expenditure not included in the original revenue budget for that year which it is deemed appropriate to incur, and which is outwith the level of service provided for in the approved revenue budget. Any such request requires to be submitted to Cabinet for approval.

6. Legality of Expenditure

- 6.1 It shall be the duty of Directors, Heads of Service and Assistant Directors to ensure that no expenditure is incurred unless it is within the legal powers of the Council. In cases of doubt, Directors, Heads of Service and Assistant Directors must consult the Council's Monitoring Officer or designated representative before incurring expenditure. Expenditure on new service developments, initial contributions to other organisations and responses to new emergency situations which require expenditure must be clarified as to legality prior to being incurred.

7. Control of Income

7.1 *Determination of Charges*

The Chief Executive and each Director, Head of Service and Assistant Director shall review the charges for goods or services provided by his/ her Directorate/ service in line with the approved Corporate Charging Policy except where the charge is fixed externally.

In order to preserve the real value of such income, increases recommended to Panels should have regard to the current rate of inflation, and should reflect the impact of any changes to the rate of value-added tax (VAT).

7.2 *Accounting Arrangements*

It is the responsibility of the Head of Finance, ICT and Procurement to make adequate financial and accounting arrangements to ensure:

- (1) the prompt and proper recording of all income due to the Council; and
- (2) the prompt and proper collection, custody, control and remittance of all cash in all Directorates of the Council.

7.3 *Notification of Income to Head of Finance, ICT and Procurement*

Particulars of all charges made for work done, rendered or goods supplied by the various services of the Council, and of all other amounts due to the Council shall be notified to the Head of Finance, ICT and Procurement promptly in a form approved by him/ her. All accounts for income due to the Council shall be raised and issued in a timely manner by, or under arrangements approved by, the Head of Finance, ICT and Procurement.

7.4 *Write-offs*

Sums due to the Council shall not be written off except with the approval of the Cabinet, or by the Head of Finance, ICT and Procurement or any person or persons authorised by him/ her in exercise of delegated powers.

Write-offs shall be permitted only after all appropriate avenues of recovery have been exhausted.

Where the amount involved is £10,000 or under, approval by the Head of Finance, ICT and Procurement or any person or persons authorised by him/ her is required.

Where the amount involved is greater than £10,000, this requires to be approved by the Cabinet, on request from the relevant Director, Head of Service or Assistant Director for the service to which the debt relates.

On occasion a debt previously written off may subsequently be recovered. In such instances, the amount previously written off will require to be reversed within the appropriate system.

Arrangements for the reversal of previously written off sums shall be approved by the Head of Finance, ICT and Procurement or any person or persons authorised by him/ her.

7.5 *Treatment of Monies Collected*

All monies received on behalf of the Council in any Directorate or service shall be recorded and deposited immediately with the Head of Finance, ICT and Procurement or the Council's bankers in accordance with arrangements made with the Head of Finance, ICT and Procurement. No deduction may be made from such money unless considered necessary for operational purposes and having been agreed in advance with the Head of Finance, ICT and Procurement. Cash discount will not be offered to any debtor.

The Council must obtain identification of counter-parties at the commencement of a business relationship where there is potential for transactions to be conducted in cash amounts in excess of £10,000. Identification must also be sought for any one-off cash transactions in excess of £10,000 and notified to the Treasury Manager on behalf of the Head of Finance, ICT and Procurement in accordance with Money Laundering Regulations adopted by the Council in 2005.

Heads of Service are responsible for ensuring adequate custody and control of all cash held within their Service. Cash held should not exceed the maximum limits for cash holdings agreed with the Head of Finance, ICT and Procurement.

7.6 *Controlled Stationery*

All official controlled stationery, such as cheques, account receivable accounts and receipts for the disbursement and collection of monies, shall be in a form approved by the Head of Finance, ICT and Procurement, and shall be ordered, controlled and issued to Directorates/ services by him/ her or under arrangements agreed by him/ her.

7.7 *Personal Cheques*

Personal cheques shall not be cashed out of the monies held on behalf of the Council.

7.8 *Transfers of Cash, Cheques, etc*

All transfers of cash and cheques from one member of staff to another shall be evidenced by the signatures of both officers.

7.9 **Grant Income**

All grant applications/ offers/ claims shall be approved by the Head of Finance, ICT and Procurement or his/ her representative following consultation with the Head of Legal and Regulatory Services in appropriate cases, prior to submission to the appropriate body. The Head of Finance, ICT and Procurement or his/ her representative shall be advised on a timely basis of all relevant information necessary for him/ her to submit, accept or certify applications for grants due to the Council. All grants are to be paid direct to the Council.

Approval limits are as follows:

- (1) where the grant award is £25,000 or under, approval of the appropriate Finance Co-ordinator or Service Lead - Corporate Accounting or Head of Finance, ICT and Procurement is required;
- (2) where the grant award is over £25,000 and below £50,000, approval of the **Service Lead** - Corporate Accounting or Head of Finance, ICT and Procurement is required; and
- (3) where the grant award is £50,000 and above, approval of the Head of Finance, ICT and Procurement is required.

All new grant income received beyond that identified and approved as part of the annual revenue and capital estimates shall be notified to the Cabinet in a timely manner and be treated in accordance with the transfer rules identified in section 5.4 above. To this end, applicants must submit a proposed funding allocation (coded by cost centre and heads of expenditure) for approval with the grant application.

7.10 **Contract Rebates (Cash)**

Where goods and services are procured through an agreed contract, a cash rebate may be received as part of the contractual arrangements.

Where a cash rebate is received by a Directorate/ service with conditions attached in relation to how it can be spent, then the rebate should be treated as follows:

- (1) where the rebate is £20,000 or under, approval of the appropriate Finance Co-ordinator or Service Lead - Corporate Accounting or Head of Finance, ICT and Procurement is required before the Directorate/ service spend can be incurred;
- (2) where the rebate is over £20,000 and below £50,000, approval of the Service Lead - Corporate Accounting or Head of Finance, ICT and Procurement is required before the Directorate/ service spend can be incurred; and
- (3) where the rebate is £50,000 and above, approval of the Head of Finance, ICT and Procurement is required before the Directorate/ service can incur spend.

In each case the rebate may only be spent strictly in accordance with the conditions attaching and for the specified purposes.

Where a cash rebate is received without any conditions attached in relation to how it can be spent, then the rebate shall be allocated to the Council's general procurement savings target.

8. Treasury Management

8.1 *Treasury Management Statement and Practices*

The Council has adopted the key recommendations of CIPFA's 'Treasury Management in the Public Services: Code of Practice' (the Code), as described in Section 5 of that Code. Accordingly the Council has created and maintained as the cornerstones of effective treasury management:

- (1) a treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities; and
- (2) suitable treasury management practices setting out the manner in which the Council will seek to achieve treasury management policies and objectives, and prescribing how it will manage and control treasury management activities.

The Council will receive reports for approval on its treasury management policies and activities, including, as a minimum:

- (1) an annual strategy and plan in advance of each financial year;
- (2) a mid-year review; and
- (3) an annual report in the form prescribed in the Council's treasury management practices not later than 30 September of the succeeding financial year on the activities of the treasury management operation, and on the exercise of treasury management powers delegated to him/her.

The Council has delegated responsibility for aspects of treasury management function as follows:

- (1) the Head of Finance, ICT and Procurement has responsibility for the execution and administration of treasury management decisions, who will act in accordance with the Council's approved policy statement and treasury management practices;
- (2) the Head of Finance, ICT and Procurement has responsibility for approving the treasury management practices and any amendment thereafter; and
- (3) the Audit and Governance Panel will be responsible for ensuring effective scrutiny of treasury management strategy and policies. The annual strategy, mid-year review and annual report will be considered by the Audit and Governance Panel before submission to Cabinet.

All money in the possession of the Council shall be aggregated for the purposes of treasury management, and shall be under the control of the Head of Finance, ICT and Procurement.

All executive decisions on borrowing, investment or financing shall be delegated to the Head of Finance, ICT and Procurement, or, through him/ her, to his/ her staff, who shall all be required to act in accordance with the Code, the Treasury Strategy Statement and the agreed Treasury Management Practices.

8.2 *Borrowing Arrangements*

All borrowing arrangements of the Council for the purpose of its functions shall be made by the Head of Finance, ICT and Procurement, and the arrangements made shall be reported to the Audit and Governance Panel (in line with the Council's Treasury Management Policy).

8.3 *Borrowings to be in Name of the Council*

All borrowings on behalf of the Council shall, unless they are for the purposes of any trust under any deed of trust or other document, be effected in the name of the Council. The Head of Finance, ICT and Procurement or other employees authorised by the Head of Finance, ICT and Procurement are authorised to sign all loan documents, unless:

- (1) statute or other legal requirements provide that other signatures are required; or
- (2) alternative arrangements have been approved by the Cabinet.

8.4 *Registrar of Stocks, Bonds and Mortgages*

The Head of Finance, ICT and Procurement shall be the registrar of stocks, bonds and mortgages, and shall maintain records of all borrowing of money by the Council, except where another registrar has been appointed by the Council, when the Head of Finance, ICT and Procurement shall maintain records of the total sums borrowed.

8.5 *Leasing*

With the exception of heritable property, and subject to the Standing Orders Relating to Contracts and the Scheme of Delegation, no leasing of equipment or capital assets extending beyond one financial year should be undertaken on behalf of the Council without prior approval of the Head of Finance, ICT and Procurement.

9. *Banking and Control of Cheques*

9.1 *Arrangements with Bankers*

All arrangements with the Council's bankers concerning the Council's bank accounts and the issue of cheques shall be made by the Head of Finance, ICT and Procurement.

9.2 ***Opening and Closing of Bank Accounts***

Official bank accounts bearing the Council's name shall only be opened or closed by the Head of Finance, ICT and Procurement.

9.3 ***Payments into Bank***

All monies received shall be paid into the Council's bank accounts daily, or at such other intervals as may be approved by the Head of Finance, ICT and Procurement.

9.4 ***Cheque Control***

All arrangements for the ordering, controlling and signing of cheques on behalf of the Council shall be made by the Head of Finance, ICT and Procurement.

10. **Credit Cards**

10.1 ***Scope***

The Council shall use a Corporate Credit Card facility provided by its bankers. The purpose of this account is to provide individual Chief Officers and Directorates a credit card payment facility for ad-hoc expenditure and expenses.

10.2 ***Approval to Use***

The Head of Finance, ICT and Procurement has responsibility for approving the issue of credit cards to individual Chief Officers and Directorates.

Individual credit cards shall be issued in the name of the individual officer, and cannot be issued in the generic name of the Council.

All credit cards bearing the Council's name shall only be opened or closed by the Head of Finance, ICT and Procurement.

10.3 ***Credit Limits***

Overall credit limits will be negotiated with the Council's bank. The Head of Finance, ICT and Procurement shall approve the allocation of individual credit limits for each card user in line with requirements and projected spend. These credit limits will be periodically reviewed and revised where appropriate.

Requests for credit card increases will be made in the first instance to the Treasury Manager and any revision approved by the Head of Finance, ICT and Procurement.

10.4 ***Authorisation***

All Chief Officers holding an individual card or responsible for a Directorate card shall be responsible for ensuring that appropriate authorisation is obtained, adequate records and receipts are kept and provide information to the Head of Finance, ICT and Procurement regularly, in line with approved procedures,

10.5 ***Accounting Arrangements***

The Head of Finance, ICT and Procurement shall arrange for all necessary charges to be allocated to Directorates timeously in line with approved procedures.

11. **Purchasing Cards**

11.1 ***Scope***

The Council does not currently operate a purchasing card facility. Any new purchasing card scheme introduced will bear the Council's name and shall only be opened or closed by the Head of Finance, ICT and Procurement.

12. **Investments and Trust Funds**

12.1 ***Investments***

- (1) Council funds shall be invested in accordance with the treasury management policies of the Council, and shall be held in the name of the Council.
- (2) All trust funds shall, whenever possible, be held in the name of the Council.
- (3) The sale of investments, unless otherwise provided for in a trust deed or other document, shall require the prior approval of the Cabinet.

12.2 ***Deposit of Trust Securities***

All officers acting as trustees by virtue of their official position shall deposit all securities, bank books and documents (other than title deeds to heritable property) and articles of value relating to any trust with the Head of Finance, ICT and Procurement unless the relevant trust deed otherwise provides.

12.3 ***Control of Charitable Funds***

The Head of Finance, ICT and Procurement shall ensure the proper and safe custody and control of all charitable funds held by the Council, and that all expenditure is in accordance with the conditions of the fund and in accordance with regulations laid down by the Office of the Scottish Charity Regulator (OSCR).

13. **Stores, Inventories and Costing**

13.1 ***Costing System and Stores Control***

Arrangements made by the Directors, Heads of Service and Assistant Directors for costing systems and stock and stores control shall be subject to the approval of the Head of Finance, ICT and Procurement.

13.2/

13.2 ***Custody of Stores and Stocktaking***

The care, custody and level of stores and equipment in any Directorate or service shall be the responsibility of the appropriate Director, Head of Service or Assistant Director, who will ensure that:

- (1) stocktaking is carried out at regular intervals as agreed by the Head of Finance, ICT and Procurement;
- (2) all obsolete or excess stock or scrap material is identified and disposed of in an appropriate manner and in accordance with industry disposal standards, where applicable; and
- (3) any obsolete, excess or scrap material disposed of should be written off in accordance with established year –end accounting procedures.

13.3 ***Write-offs or Surpluses of Stores***

Each Director and Head of Service shall report annually, in accordance with the year-end accounting procedures, to the Head of Finance, ICT and Procurement the total values of write-offs and surpluses of stock, the net effect of these adjustments on the book value of consumable stores under his/ her control and a brief explanation of the reasons for these differences.

13.4 ***Inventories***

Every Directorate and service of the Council shall maintain full and accurate inventory records in a form approved by the Head of Finance, ICT and Procurement. The Head of Finance, ICT and Procurement shall be responsible for issuing instructions on inventory procedures and record-keeping.

13.5 ***Use of Equipment and Stores***

The Council's property shall not be removed other than in the course of the Council's normal business or used other than for the Council's purposes without the specific approval of the Director, Head of Service or Assistant Director concerned.

14. **Procurement of Goods and Services and Payment of Accounts**

14.1 ***Method of Payment***

Apart from petty cash and other payments from imprest accounts, the preferred method of payment of money due from the Council shall be by BACS. Payment of money due by any other method must be approved by the Head of Finance, ICT and Procurement or any person or persons authorised by him/ her.

14.2 ***Official Orders***

Except for petty cash purchases, supplies of public utility services and periodic payments such as rent and rates, all goods, materials or services supplied to or work executed for the Council shall be ordered by means of an electronic order through the corporate financial management system, and acceptances shall be by officers authorised by the Director, Head of Service or Assistant Director of the ordering Directorate/ service.

Authorisation of orders must be by an authorised officer in accordance with the privileges set in the corporate financial management system, i-Procurement.

The authorisation rights as determined by the Director, Head of Service or Assistant Director of the ordering Directorate/ service should be reviewed on a regular basis, at least annually.

14.3 ***Procurement***

All procurement of goods, materials, services and works must be carried out in full compliance with approved Standing Orders Relating to Contracts.

14.4 ***Check on Goods, Materials and Services Received***

It shall be the duty of the Director, Head of Service or Assistant Director of each Directorate/ service which places an order to ensure that all goods, materials services and works received following the placing of orders by him/ her or any person or persons authorised by him/ her are as ordered in respect of price, quantity and quality, and duly recorded in the corporate financial management system.

Where goods have been ordered using the corporate financial management system, i-Procurement, the receipt of goods shall be recorded against the appropriate order on the system.

14.5 ***Creditor Status***

It shall be the duty of Service Leads to authorise all new supplier requests and to provide the following information to the Central Accounts Payables team for input to Oracle payment systems:

- (1) Tax status for CIS purposes;
- (2) VAT status – whether registered or non-registered, if registered provide VAT registration number; and
- (3) employment status of the supplier.

14.6 ***Certification of Payment***

The i-Procurement system has controls in place to ensure that only authorised officers (as approved by their Director, Head of Service or Assistant Director) can approve orders and invoices. The i-procurement system will not allow payment to be made unless the goods are recorded as being received and the invoice value agrees with the order. Where any variances are identified between the order, receipt and invoice, this requires additional approval from the requester/approver to ensure a 3-way match prior to payment being made. No payment shall be made unless certified by an authorised officer.

The Director, Head of Service or Assistant Director of each Directorate/ service which incurs expenditure shall arrange for the certification in accordance with the systems processes by an officer of his/ her Directorate/ service that all payments comply with the following:

- (1) the expenditure is on items or services which it is within the Council's legal powers to incur;
- (2) the goods, materials, services or work to which the account relates have been received or carried out as the case may be, and have been examined and approved, and are in accordance with the order;
- (3) the prices, extensions, calculations, trade discounts, other allowances, credits and tax are correct;
- (4) the relevant expenditure has been properly incurred, and is within the relevant estimate provision;
- (5) appropriate entries have been made in inventories, stores records or stock records, as required; and
- (6) the expenditure is charged against the relevant account.

The certification must be by an authorised officer in accordance with the privileges set in the corporate financial management system.

14.7 ***Direct Electronic Bank Payments***

All payment for goods and services shall be made using the approval process described in 14.1 to 14.6 above except In certain circumstances where a bank transfer (ie - direct payments from the Council's bank account to a third party) is permissible, as follows:

- (1) legal settlement for capital purchase transactions; and
- (2) in emergency situations.

In both circumstances the authorisation of the Head of Finance, ICT and Procurement or any person or persons authorised by him/ her Is required. The request for a direct electronic payment must be supported by appropriate justification and documentation.

14.8 ***Payments in Advance***

Payments shall not be made in advance of receipt of goods and services except in the following circumstances;

- (1) where the service provider's non-negotiable terms and conditions require payment in advance;
- (2) in urgent or emergency situations; or
- (3) where the likelihood of default is considered an acceptable or immaterial level of risk.

For payments up to £500, approval is required in advance of payment from the appropriate Service Lead. For payments between £501 and £5,000, approval is required in advance of payment from the appropriate Service Lead and Finance

Team Co-ordinator. For all other payments above this level, approval is required in advance of payment from the appropriate Director/ Head of Service and the Head of Finance, ICT and Procurement.

For grants awarded to external organisations, the grant should only be paid in advance (either wholly or partially) if it is in accordance with the Council's agreed terms and conditions for the award.

14.9 ***Duplicate Invoices, etc***

Payment shall not be made on duplicate or photocopy invoices unless the Director, Head of Service or Assistant Director or other authorised officer certifies in writing that the amounts have not been previously passed for payment.

15. **Accounting**

15.1 ***Accounting Procedures and Records***

All accounting procedures and records of the Council shall be determined by the Head of Finance, ICT and Procurement, and all accounts and accounting records of the Council shall be compiled by the Head of Finance, ICT and Procurement or under his/ her direction.

15.2 ***Internal Check***

The following principles shall be observed in the allocation of duties:

- (1) procedures to be followed regarding the calculation, checking and recording of sums due by or to the Council should be arranged in such a way that, wherever possible, the work of one person is proven independently, or is complementary to the work of another, and these operations shall be separated from the duty of collecting or disbursing such sums; and
- (2) officers charged with the duty of examining and checking the accounts of cash transactions shall not themselves be engaged in any of these transactions.

15.3 ***'Year End' Accounting Returns***

Each Director and Head of Service shall, at dates to be specified by the Head of Finance, ICT and Procurement, submit to him/ her:

- (1) a copy of the certified stock list for his/ her Directorate/ service as at the end of the financial year (or date in lieu thereof as laid down by the Head of Finance, ICT and Procurement) together with any reports referred to in sections 13.2 and 13.3 above;
- (2) a certificate confirming that inventories of all moveable furniture, equipment, plant and other items are kept on a continuous basis in all locations under his/ her control; and
- (3) any other information necessary to close the Council's accounts.

16. Surplus or Deficit on Property Maintenance Service

16.1 *Background*

The Council's Property Maintenance Service does not operate as a statutory trading account. As such, its annual budget is prepared on the basis that work will be recharged on the basis of cost, in order for it to achieve a break-even position at the end of each financial year. In practice, actual expenditure and income may vary from budget, resulting in a surplus or deficit at the year-end.

16.2 *Treatment of Surplus or Deficit*

In recognition of Scottish Government Guidance on the operation of the Housing Revenue Account (HRA) a mechanism to facilitate the reimbursement to HRA of the appropriate proportion of Property Maintenance year-end surpluses or deficits attributable to Council housing activity should be applied at the end of each financial year.

16.3 *Accounting Mechanism*

- (1) Where the Property Maintenance service records a surplus or deficit for the financial year, then the proportion of that surplus or deficit attributable to Housing activity should be transferred to the HRA with the balance relating to General Services activity being retained in the General Fund; and
- (2) the proportion of Property Maintenance income received from HRA should be identified and used as the basis to allocate the proportionate share of the surplus or deficit to be transferred to the HRA.

17. Internal Audit

17.1 *Responsibility for Internal Audit*

Internal Audit, under the control and direction of the Chief Executive, shall be arranged for the purpose of carrying out an examination of financial and related systems of the Council to ensure that the interests of the Council are protected.

Internal Audit work is undertaken within the terms of the Internal Audit Charter which is formally approved by the Audit and Governance Panel. The Internal Audit Charter is available on Re-Wired. Internal Audit adheres to the United Kingdom Public Sector Internal Audit Standards.

17.2 *Reporting Arrangements for Internal Audit*

- (1) Officers engaged in Internal Audit will report directly to the Chief Executive .
- (2) Internal Audit reports will be distributed as follows:
 - (a) Directorates/ services will receive a copy of the Internal Audit report at the conclusion of the audit assignment;

- (b) the Chief Executive, the Council's Monitoring Officer and the Council's Head of Finance, ICT and Procurement will receive copies of all Internal Audit reports; and
 - (c) all Elected Members will receive copies of all Internal Audit reports which will be made available to them on The Core.
- (3) The Annual Audit Plan will be submitted to the Audit and Governance Panel at the beginning of the financial year. The purpose is to advise Members of the programme of audit work for the forthcoming financial year. The plan will be compiled following consultation with the Chief Executive and all Directors/ Heads of Service/ Assistant Directors.
 - (4) Audit reports showing the activity of the Internal Audit section, progress achieved against plan and a summary of significant audit findings will be presented to the Audit and Governance Panel (Audit Committee).
 - (5) The External Auditor will report annually to the Audit and Governance Panel providing an assessment of the Internal Audit function.

17.3 ***Authority of Audit***

The Chief Executive or his/ her authorised representatives shall have authority, on production of identification, to:

- (1) enter at all reasonable times on any Council premises or land;
- (2) have access to all systems, records, documents and correspondence relating to financial and other transactions of the Council;
- (3) have access to all IT hardware/ software running systems on behalf of the Council, including hardware/ software owned by third party service providers, in line with agreed protocols;
- (4) require and receive such explanations as are necessary concerning any matter under examination; and
- (5) require any employee of the Council to produce cash, stores or any other Council property under his/ her control.

17.4 ***Irregularities***

Any evidence or reasonable suspicion of an irregularity relating to funds, stores or other property of the Council shall be reported immediately by the Director, Head of Service or Assistant Director to the Chief Executive or his/ her nominated officer and the Head of Finance, ICT and Procurement. Such irregularities shall be dealt with in accordance with the Council's Anti-Fraud and Anti-Bribery Strategy and Special Investigations Procedure.

18. Cash Imprests/ Petty Cash

18.1 *Purpose of Cash Imprests*

The imprest system is an accounting system for paying out and subsequently replenishing petty cash. Petty cash is a small reserve of cash kept on-site at a business location for incidental cash needs. The imprest system is designed to provide a rudimentary manual method for tracking petty cash balances and how cash is being used.

18.2 *Provision of Imprests*

On the recommendation of the Director, Head of Service or Assistant Director concerned, the Head of Finance, ICT and Procurement shall provide such imprest accounts as he/ she considers appropriate for such officers of the Council as he/ she considers may require them for purposes of defraying petty and other minor expenses.

18.3 *Bank Accounts for Imprest Holders*

The Head of Finance, ICT and Procurement shall open bank accounts where it is considered appropriate, and in no circumstances shall the imprest holder overdraw the account. It shall be a standing instruction to the Council's bankers that an imprest holder's account shall not be overdrawn. Bank accounts will not be opened by any officer other than the Head of Finance, ICT and Procurement or delegated responsible officer.

18.4 *Exclusion of Payments to the Council*

No payments to the Council shall be paid into an imprest account, but shall be lodged in a bank as provided for in paragraph 9.3 hereof. Any bank interest earned on imprest accounts will be remitted separately and immediately to the Head of Finance, ICT and Procurement, and will not be left in the imprest bank balance.

18.5 *Limit on Expenditure*

Payments from imprest accounts shall be limited to minor items of expenditure, and to only such other items as the Head of Finance, ICT and Procurement may approve. Payments shall be supported by a voucher/ receipt. Imprests must not be used to pay major expenses claims or any suppliers' invoices. The Head of Finance, ICT and Procurement may prescribe an upper limit to individual items of expenditure to be met out of imprest accounts.

18.6 *Accounting Arrangements*

Claims for reimbursement of imprest expenditure shall be submitted regularly to Central Accounts Payable, and, when submitting a reimbursement claim, sufficient imprest cash shall be available to cover the period between submission of the claim and receipt of monies.

Claims must be submitted to 31 March each year within the timescales laid down within the year-end procedures issued by the Head of Finance, ICT and Procurement.

18.7 *Statement of Account*

An officer responsible for an imprest account shall, when requested, give to the Head of Finance, ICT and Procurement a certificate as to the balance of his/ her imprest account.

18.8 *Termination as Imprest Holder*

On an officer leaving the employment of the Council, or otherwise ceasing to be entitled to hold an imprest advance, that officer shall account to the Head of Finance, ICT and Procurement for the amount advanced to him/ her. A formal record of this accounting shall be prepared and retained in the Directorate concerned for inspection.

19. *Claims for Expenses and Allowances*

19.1 *Arrangements for Claims*

The Head of Legal and Regulatory Services shall be responsible for making arrangements for the administration, regulation and payment of claims for expenses and allowances to Members and employees of the Council and other approved bodies.

19.2 *Regulations*

The Head of Legal and Regulatory Services shall make available the current regulations on expenses and allowances to Members and employees of the Council and of other approved bodies.

19.3 *Employees' Claims*

All claims for payment of travelling allowances, subsistence allowances, car allowances and incidental expenses shall be submitted, duly certified in a format approved by the Head of Legal and Regulatory Services, to him/ her at such regular intervals as he/ she requires. VAT receipts are required to support all mileage claims and subsistence allowances where appropriate.

Such payments shall not be made out of imprest accounts without the express authority of the Head of Finance, ICT and Procurement. All such expenses shall, as far as practicable, be paid via the payroll system. Cash advances can be provided in appropriate cases where no other means of payment is available.

Directors, Heads of Service and Assistant Directors shall authorise officers in their services to certify such claims and to upload payments into the Oracle Payroll system by means of the procedures set down by the Head of Legal and Regulatory Services and Directors, Heads of Service and Assistant Directors shall maintain up to date lists of those officers who are so authorised.

In addition, a regular review of such authorisations should be carried out by each Directorate and service to ensure that the list of those authorised is complete and up-to-date.

No officer authorised to certify such claims shall certify his/ her personal claim. Personal claims must be certified by a separate authorised signatory.

19.4 *Certification of Employees' Claims*

The certification by or on behalf of the Director, Head of Service or Assistant Director shall be taken to mean that the certifying officer is satisfied that the journeys were authorised, the expenditure properly and necessarily incurred, and that any allowances are properly payable. Certifying officers should satisfy him/ herself that supporting VAT receipts are attached where applicable.

It shall be the duty of the claimant and the authorising officer to ensure that claims are submitted promptly to allow payments to be made from the appropriate budgets. All claims must be submitted on at least a monthly basis and no later than three months after the journey has been completed. Line managers must ensure that employees work within these timescales. Claims submitted outwith this time limit will not be processed or paid.

Claims applicable to a financial year shall be submitted within one month after 31 March in that year.

19.5 *Members' Claims*

Payments to Members, including co-opted members of the Council or its Panels, who are entitled to claim attendance and other allowances, shall be made by the Head of Legal and Regulatory Services upon receipt of the claim in the prescribed format. All claims must be submitted on at least a monthly basis and no later than three months after the journey has been completed. Claims applicable to a financial year shall be submitted within one month after 31 March in that year. VAT receipts are required to support all mileage claims and subsistence allowances where appropriate.

The Head of Finance, ICT and Procurement shall maintain a record of all expenses paid to Members, showing the name of the recipient and the amount and nature of the payments. This record shall be available for public inspection and will be published on the Council website no later than 1 June each year.

20. *Salaries, Wages and Pensions*

20.1 *Information regarding Payroll Amendments*

The Director, Head of Service or Assistant Director concerned shall notify the Head of Legal and Regulatory Services timeously, and in the prescribed format, of all matters affecting the payment of emoluments, in particular:

- (1) appointments, contract variations, resignations, dismissals, suspensions, secondments and transfers;
- (2) changes in remuneration (including overtime worked), other than normal increments and pay awards;
- (3) absences from duty for sickness or other reason apart from approved leave; and

- (4) information necessary to maintain records of service for superannuation and HM Revenue and Customs purposes.

20.2 ***Arrangements for Payments***

The payment of all salaries, wages, pensions, compensation and other emoluments to all employees, former employees or beneficiaries shall be made by the Head of Legal and Regulatory Services or under arrangements made by him/ her. All such payments will be made, as far as practicable, by credit transfer to the employee's designated bank account.

20.3 ***Form and Certification of Records***

All pay documents/ processes (either paper or electronic) shall be in a format prescribed or approved by the Head of Legal and Regulatory Services, and shall be authorised by or on behalf of the appropriate Director, Head of Service or Assistant Director.

The authorisation of such documents/ processes is achieved within the Council's payroll system by way of embedded access rights which shall be granted to officers by Directors, Heads of Service and Assistant Directors on the basis of business and security requirements. The authorisation rights as determined by the Director, Head of Service or Assistant Director should be reviewed on a regular basis, at least annually.

21. **Security**

21.1 ***Responsibility for Security***

Each Director, Head of Service or Assistant Director shall be responsible for maintaining proper security, custody and control at all times of all plant, buildings, materials, stores, furniture, equipment, cash, etc, under his/ her control. He/ she shall also consult the Head of Legal and Regulatory Services, as appropriate, in any case where security is thought to be defective, or where it is considered that special security arrangements may be required.

21.2 ***Limits to Cash Holdings***

The Head of Finance, ICT and Procurement shall agree with the appropriate Director, Head of Service or Assistant Director the maximum amount of cash to be held in the premises under his/ her control, and the agreed amount shall not be exceeded except with the written agreement of the Head of Finance, ICT and Procurement. Cash boxes/ safes should only be used to hold funds belonging to the Council or school funds. The level of funds held in safes should be within the insurance limits. Additional uplifts should be arranged with the Head of Finance, ICT and Procurement where large amounts of cash are likely to be held.

21.3 ***Safe Keys***

Keys to safes and similar receptacles containing cash or valuable documents or articles shall be carried on the person of those responsible. The loss of any such keys shall be reported immediately to the Head of Finance, ICT and Procurement

and the appropriate Director/ Head of Service. A register of all such keyholders will be kept in each Directorate/ service, and notified to the Head of Finance, ICT and Procurement.

21.4 ***Pre-printed/ Pre-signed Cheques, etc***

The Head of Finance, ICT and Procurement shall be responsible for ensuring that secure arrangements are made for the preparation and holding of pre-printed/ pre-signed cheques, stock certificates, bonds and other financial documents.

21.5 ***Security/ Retention of Documents***

Each Director and Head of Service shall be responsible for maintaining proper security, custody and control of all documents within his/ her Directorate/ service. The retention period for all books, forms and records related to financial matters shall be determined by the Head of Finance, ICT and Procurement in conjunction with the Head of Legal and Regulatory Services .

21.6 ***Data Protection Act/ Regulations***

Each Director and Head of Service shall be responsible for the use and security within his/ her Directorate/ service of all personal data output from Council computer systems in line with the Data Protection Act and Regulations in force from time to time and approved data sharing protocols.

21.7 ***Asset Register***

The Head of Finance, ICT and Procurement, in conjunction with the Director of Housing, Operations and Development, shall be responsible for the maintenance of the asset register of the Council. All Directors, Heads of Service and Assistant Directors shall give prompt notification to the Head of Finance, ICT and Procurement/ Director of Housing, Operations and Development of any amendments to be made to the register. The register holds, as a minimum, information relating to all assets valued at £5,999 and above owned and operated by the Council. This 'de minimis' level has been set based on recommendations contained in the Code of Practice on Local Authority Accounting in the United Kingdom.'

22. **Risk Management and Insurance**

22.1 ***Responsibility for Risk Management and Insurance***

Subject to the Standing Orders Relating to Contracts, the Scheme of Delegation, and except as authorised by them, the Head of Legal and Regulatory Services shall make appropriate risk management and insurance arrangements for all aspects of the Council's activities.

22.2 ***Identification of Risk***

The Head of Legal and Regulatory Services shall be responsible for the maintenance and co-ordination of an effective strategic risk register, the content of which shall be informed by the Corporate Management Team. The Chief

Executive, Directors, Heads of Service and Assistant Directors shall be responsible for ensuring that a suitable risk management reporting framework is incorporated within their Directorate or service, and shall notify the Head of Legal and Regulatory Services of all significant risks facing their Directorate or service, how they propose to mitigate the risks and the timescales involved.

The Chief Executive, Directors, Heads of Service and Assistant Directors shall give prompt notification to the Head of Legal and Regulatory Services of all new areas of service provision, additional assets or partnership arrangements that may increase the Council's overall exposure to risk, and which should be covered by insurance, or of any removal of service, disposal of assets or other changes to work activity which no longer requires insurance arrangements.

22.3 *Notification of Claims*

Directors, Heads of Service and Assistant Directors shall notify the Head of Legal and Regulatory Services as soon as possible in writing of any loss, liability, injury or damage or any event likely to lead to a claim. Thereafter, the Head of Legal and Regulatory Services shall be responsible, where applicable, for advising the insurance company concerned. He/ she shall also arrange the negotiation of all insurance claims on behalf of the Council in consultation with any Director, Head of Service or Assistant Director concerned, as appropriate.

22.4 *Fidelity Guarantee Insurance*

The Council shall be covered by fidelity guarantee insurance, and this will be arranged by the Head of Legal and Regulatory Services.

22.5 *Review of Insurance Cover*

The Head of Legal and Regulatory Services shall review periodically all insurances in consultation, where appropriate, with the Chief Executive, Directors, Heads of Service and Assistant Directors.

23. *Contracts for Capital Works*

23.1 *Record of Contracts*

The Director of Housing, Operations and Development shall maintain a record of all relevant contracts and payments made on contracts for capital works. The Head of Finance, ICT and Procurement shall have access to such records, and use whatever information he/ she considers necessary.

23.2 *Variations to Contracts*

Variations to capital works contracts which result in budget variances shall be dealt with in accordance with Section 3, Control of Capital Expenditure, and in accordance with Standing Orders relating to Contracts

23.3 *Claims from Contractors*

Claims from contractors in respect of matters not clearly within the terms of any existing contract for capital works shall be referred to the Director of Housing,

Operations and Development for consideration of the Council's liability, and, where appropriate, to the Head of Finance, ICT and Procurement and the Head of Legal and Regulatory Services for consideration before a settlement is reached.

23.4 *Delay of Contract*

Where completion of a contract is delayed, it shall be the duty of the Director of Housing, Operations and Development to consult the Head of Finance, ICT and Procurement and/ or the Head of Legal and Regulatory Services as appropriate prior to taking any action in respect of any processes to liquidate or levy other damages.

23.5 *Interim Payment*

Interim payments to contractors shall be certified by the Director of Housing, Operations and Development or delegated officer responsible for the control and supervision of the work. Nominating delegated officers shall be in writing from the Director of Housing, Operations and Development. The Head of Finance, ICT and Procurement shall be provided with specimen signatures of the authorised signatories by the Director of Housing, Operations and Development.

23.6 *Reports on Final Measurements/ Final Contract Amount*

A report on all final measurements/ final contract amounts shall be made by the Director of Housing, Operations and Development or delegated officer to the Head of Finance, ICT and Procurement.

23.7 *Procurement Procedures/ Guidance*

All matters relating to contracts for capital works shall be conducted in accordance with Standing Orders relating to Contracts and other guidance and the Head of Legal and Regulatory Services. Failure to follow these procedures may result in disciplinary action.

24. *Economy, Efficiency and Effectiveness/ Best Value*

24.1 The Council has a duty under the Local Government Etc (Scotland) Act 1994 and the Local Government in Scotland Act 2003 to invoke proper arrangements for securing economy, efficiency and effectiveness/ best value in the use of resources. There shall be a process of strategic planning which shall have full Elected Member involvement in order to establish the systematic identification of priorities and realisation of economy, efficiency and effectiveness/ best value. It shall be the responsibility of the Chief Executive to deliver the arrangements put in place to secure best value and to co-ordinate Council policy in regard to ensuring that the Council provides best value.

24.2 The Chief Executive and each Director and Head of Service shall be responsible for ensuring implementation of both the corporate and Directorate applications of the strategic planning process. All Directors, Heads of Service and Assistant Directors must ensure that they can demonstrate that proper arrangements are in place to provide best value, and that there is the application of documented procedures, operational performance indicators and targets and a customer/ user focus in service planning.

24.3 Best value should cover the areas of human resource and physical resource management, capital programme and contract management, financial management and policy, performance and service delivery process reviews.

25. External Funding (*Following the Public Pound*)

25.1 The principles of openness, integrity and accountability in decisions on spending public money shall apply to funds or other resources which are transferred by the Council to bodies such as companies, trusts, voluntary organisations and individuals where such bodies/ individuals are subject to local authority control or influence, and where they operate at arms' length.

25.2 Services providing grants to external organisations should adhere to South Ayrshire Council's Local protocol – Following the Public Pound and Funding External Bodies (published September 2020) which provides guidance on managing and monitoring funding arrangements in relation to external bodies.

25.3 The Chief Executive and each Director, Head of Service or Assistant Director shall be responsible for ensuring the implementation of and adherence to all Codes and Guidance issued on external funding arrangements (*Following the Public Pound*).

25.4 Any agreements required shall include right of access of Internal Audit to the systems, records, documents and correspondence of that organisation.

26. Partnerships

26.1 Partnerships can play a key role in delivering community strategies. In some circumstances, the Council has a leadership role to bring together the contributions of a variety of stakeholders to deliver a shared vision of services based on user needs. Examples of partners include:

- (1) a public or private organisation undertaking part funding or participating as a beneficiary in a project including PPP/ PFI; or
- (2) a body whose nature or status gives it a right or obligation to support a particular project; or
- (3) HubSW in the delivery of Council or Council-partnership projects and initiatives

26.2 In all instances, the Director of the lead Directorate for the Council should be able to demonstrate that:

- (1) appropriate financial regulations have been adopted for the partnership. There should be a presumption that the Council's financial regulations will prevail in all circumstances, unless alternative or additional guidance is considered appropriate. The approval of the Head of Finance, ICT and Procurement will be required for any such departure;

- (2) the roles and responsibilities of each of the partners involved have been agreed and formally accepted before any project commences, and that individuals representing the partner organisations are aware of their personal responsibilities;
- (3) documented project management arrangements are in place;
- (4) responsibility for budgetary control for any project is vested in one officer;
- (5) the limits of responsibility for all groups involved in decision-making for any partnership project are clear and agreed. This could include Project Teams, Project Boards, Council Panels and the Council itself;
- (6) a project exit strategy is in place for limited life projects; and
- (7) arrangements are in place for risk appraisal, monitoring, management and control.

27. Devolved Management of Resources

- 27.1 The Council operates a Scheme of Delegation for schools (Devolved School Management) in line with the Local Government Etc (Scotland) Act 1994. This devolves decision-making powers and budget responsibilities to Head Teachers, in particular, budget transfer and carry-forward facilities, which require to be managed in accordance with the Council's Financial Regulations.
- 27.2 The Council's Scheme of Delegation delegates Panels and officers powers to deal with matters falling within their remit as specified therein.

28. Observance of Financial Regulations

28.1 *Responsibility of Directors, Heads of Service and Assistant Directors*

It shall be the duty of each Director and Head of Service to ensure that these regulations are made known to the appropriate persons within the Directorate, and to ensure that they are adhered to.

28.2 *Breach of Regulations*

Any breach or non-compliance with these regulations must, on discovery, be reported immediately to the Chief Executive, who may discuss the matter with the Head of Finance, ICT and Procurement and/ or such other Director, Head of Service or Assistant Director as may be appropriate in order to determine the proper action to be taken.