

EAST AYRSHIRE COUNCIL



# Financial Regulations

*Council – 27 June 2024*



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# 1 Scope and Observance

## Status and Application

- 1.1 **It is the duty of all officers employed by the Council to fully comply with these Financial Regulations. Failure to comply with the requirements within these Regulations and associated guidance and procedures may be regarded as a breach of trust and may lead to disciplinary action.**
- 1.2 East Ayrshire Council is accountable for the stewardship of public funds. Stewardship is a function of management and is therefore the responsibility of elected members and officers of the Council.
- 1.3 Financial Regulations are an integral part of the stewardship of Council funds. Adhering to the Financial Regulations and other associated documents ensures that all financial transactions of the Council are conducted in a manner which demonstrates openness, integrity and transparency. They form a significant part of the governance of the Council.
- 1.4 Section 95 of the Local Government (Scotland) Act 1973 requires that “...every local authority shall make arrangements for the proper administration of their financial affairs and shall secure that the proper officer of the authority has responsibility for the administration of those affairs.”
- 1.5 The Chief Financial Officer and Head of Finance & ICT (*hereafter referred to as the Chief Financial Officer*) has been designated as the Section 95 proper officer by the Council and has responsibility for the administration of the Council’s financial affairs including advising the Council on all financial matters and monitoring and reporting on its financial performance and position.
- 1.6 These Financial Regulations should be read in conjunction with other Council Regulations including:
- Standing Orders;
  - Scheme of Delegation and Administration;
  - Defalcation/Corrupt Practices Procedures;
  - Disciplinary Procedures;
- and with other legislation/regulations observed by the Council:
- the Data Protection Act;
  - the Chartered Institute of Public Finance and Accounting (CIPFA) Code of Practice on Local Authority Accounting in the UK (The Code);
  - the CIPFA Treasury Management in The Public Sector Code of Practice;
  - the Prudential Code for Capital Finance in Local Authorities;
  - The Public Sector Internal Audit Standards (PSIAS).
- 1.7 These Financial Regulations are the overarching document to support and evidence financial probity and as such they have primacy over any relevant service-based guidance.

## **Framework for Financial Administration**

- 1.8 Financial Policy Bulletins (FPB's) provide further detailed guidance on the application of these Financial Regulations. FPB's are available on the Council's Intranet and form an integral part of the governance framework of the Council. They carry the same status and authority as if they were part of these financial regulations and will be approved and issued by the Chief Financial Officer.

## **Compliance**

- 1.9 It is the duty of all Chief Officers to ensure that these Regulations are made known to the appropriate persons who have the authority to incur expenditure or receive income within their Services and to ensure that they are adhered to. Failure to comply with the requirements contained within these Regulations and the associated guidance and procedures may result in an investigation under the Council's Disciplinary Policy and Procedures.
- 1.10 Any breach or non-compliance with these Regulations must, on discovery, be reported immediately to the Chief Financial Officer who may consult the Chief Executive, the Chief Governance Officer (as Monitoring Officer) and any other Chief Officer or authorised person as appropriate to determine the appropriate action.

## **Review of Financial Regulations**

- 1.11 These Regulations will be regularly reviewed, at a minimum once every two years, by the Depute Head of Finance in consultation with the Chief Financial Officer and the Chief Executive, and where necessary, subsequent adjustments will be submitted to Council or Cabinet as appropriate.

## 2 Responsibilities

### General

- 2.1 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.
- 2.2 All officers employed by the Council must ensure that their financial transactions comply with the law. Where in doubt, officers must consult the Chief Governance Officer before incurring or legally committing to expenditure.
- 2.3 **No officer has the authority to commit any expenditure unless it can be met from an approved budget.** Where the budget is in overspend or an item of expenditure would put the budget in overspend then the Head of Service must consult the Chief Financial Officer setting out the plan to bring the budget back into balance **before** incurring or legally committing to expenditure.

### Council, Cabinet and Governance & Scrutiny Committee

- 2.4 Subject to the Scheme of Delegation and Administration, Cabinet will be responsible for regulating and controlling the finances of the Council within the guidelines determined by the Council.
- 2.5 The full Council is responsible for setting the Council's annual budgets, housing rent and Council Tax levels and the level of bad debt provision. In setting the revenue budget Council approves the financial allocation to each Service for the forthcoming year. It will be for each Head of Service to configure their financial allocation to ensure effective service delivery.
- 2.6 The Council is also responsible for approving the annual Treasury Management and Annual Investment Strategy which links the revenue and capital spend and assesses the affordability of the Council's total planned expenditure for the year ahead.

### Chief Financial Officer and Head of Finance & ICT

- 2.7 As the proper officer for the purposes of Section 95 of the Local Government (Scotland) Act 1973, the Chief Financial Officer and Head of Finance & ICT will be responsible for the administration of the financial affairs of the Council and will act as a financial adviser to the Council, Cabinet and all Committees. Specific responsibilities include:
  - to advise Elected Members on financial strategy;
  - to ensure the proper administration of the financial affairs of the Council;
  - to set the financial management standards and to ensure that compliance with them is monitored;
  - 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 employees throughout the authority;
  - to advise on the key strategic controls necessary to secure sound financial management; and
  - to ensure that financial information is available to enable accurate and timely monitoring and reporting of financial performance.

## **Chief Officers**

- 2.8 It is the responsibility of all Chief Officers to ensure that employees are aware of and comply with the requirements contained within these Financial Regulations and the Financial Policy Bulletins which support them.
- 2.9 Chief Officers are fully accountable for the financial performance of their Services against the budgets allocated. Revenue expenditure should be incurred in pursuit of policies agreed by a relevant Committee of the Council only to the extent that budgetary provision has been made.
- 2.10 Chief Officers have responsibility to put in place appropriate budget management and delegation arrangements to ensure the effective use of resources, safeguarding of assets and the operation of a system of appropriate internal controls.
- 2.11 All actions that affect the Council's finances should only be carried out by properly authorised employees. Chief Officers will make sure that there is a proper control system in place for authorising transactions.
- 2.12 Chief Officers will consult the Chief Financial Officer in respect of any matter affecting their service which is liable to materially affect the finances of the Council before any provisional or other commitment is incurred and before reporting thereon to Council or Cabinet, except in an emergency and / or as authorised by any Scheme of Delegation. In cases of emergency, a report must be submitted to the Chief Financial Officer as soon as possible thereafter.
- 2.13 Chief Officers should seek to secure best value in the provision of services at all times with the objective of achieving the policies of the Council and to secure all income due to the Council whether or not reflected in budgets.

## **East Ayrshire Integration Joint Board (IJB)**

- 2.14 The IJB is a legal entity in its own right, 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. The IJB has a separate set of Financial Regulations upon which the Chief Finance Officer of the IJB will discharge equivalent proper officer responsibilities for the Board.
- 2.15 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 by the IJB and directed by the IJB to the Council for the purposes of service delivery, the Financial Regulations of the Council will apply to the directed sum, which will be utilised in accordance with the priorities determined by the Board in its Strategic Plan.

## **Internal Audit**

- 2.16 The Local Authority Accounts (Scotland) Regulations 2014 require local authorities to operate a professional and objective internal auditing service. The internal audit service must be provided in accordance with recognised standards and practices in relation to internal auditing. Recognised standards and practices are those set out in the PSIAS and the CIPFA Local Government Application Note (LGAN).

2.17 The PSIAS define internal auditing as follows:

*“Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.”*

2.18 The Standards indicate that the primary role of Internal Audit is *“the provision of assurance services resulting in an annual opinion on the adequacy and effectiveness of the Council’s framework of governance, risk management and control by the Chief Auditor”*.

2.19 To enable effective outcomes, Internal Audit provide a combination of assurance and advisory (consulting) activities. Assurance work involves assessing how well the systems and processes are designed and working, with advisory activities available to help to improve those systems and processes where necessary. A full range of these activities is delivered to inform the annual opinion.

2.20 The Chief Auditor will have authority to independently prepare and operate strategic and annual audit plans which will be completed following consultation with the Chief Executive, Depute Chief Executives, Chief Governance Officer, Chief Social Work Officer and the Chief Financial Officer. Governance and Scrutiny Committee will approve the audit plan in line with PSIAS recommendations.

2.21 The Chief Auditor will report directly to the Chief Executive who carries the responsibility for the proper management of the Council and for ensuring that the principles of good governance are reflected in sound management arrangements.

2.22 There will be unrestricted communication between the Chief Financial Officer and the Chief Auditor who will assist the Chief Financial Officer as the Proper Finance Officer, to discharge responsibility for ensuring an effective system of internal control.

2.23 The PSIAS recognises that Internal Audit’s remit extends to the entire control environment of the organisation and is not restricted solely to financial controls.

2.24 The Chief Auditor will have direct access to the Chief Governance Officer where necessary including where matters arise relating to the conduct of the Chief Executive in areas of Chief Executive responsibility.

2.25 The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. The Council’s response to Internal Audit activity should lead to the strengthening of the control environment and therefore contribute to the achievement of Council objectives.

2.26 The Standards require the Council to put in place an Internal Audit Charter which sets out the purpose, authority and responsibility of the Council’s Internal Audit function. The Governance & Scrutiny Committee periodically reviews and agrees the Charter annually at the time of setting the annual internal audit plan. The Internal Audit Charter can be accessed at [Internal Audit · East Ayrshire Council \(east-ayrshire.gov.uk\)](http://www.east-ayrshire.gov.uk)

### **3 Financial Planning & Management**

- 3.1 The Council delivers a wide range of services to provide essential support to communities and individuals across East Ayrshire. Council budgets are the financial expression of the Council's priorities, objectives and plans and effective arrangements for the development and management of the Council's budget (for both revenue spending and for capital investment) are essential elements of the Council's overall strategic planning arrangements and reflected in the Financial Strategy.

#### **Reporting to Committee**

- 3.2 All reports presented to Council, Cabinet or other Committees must specifically identify the extent of any financial implications. All financial implications must be stated clearly in the report, identifying cost and / or income in the current and future years, the impact on revenue and capital spending and where resources are included in the Budget or, if not, from where it is proposed that such financial resources be obtained. Where this is not specified or made clear, it will be assumed that the costs will be met from the Service budget or balances.
- 3.3 Details of financial implications included in reports must be referred to the Chief Financial Officer or their representative for approval **before** the report is issued, allowing adequate time for Finance & ICT colleagues to review, and taking into account the committee reporting timescales.

#### **Revenue Budget Preparation**

- 3.4 The full Council has overall responsibility for approving the annual Revenue Budget and the draft revenue estimates and recommendations relating to the setting of the Council Tax and council house rent levels for the forthcoming financial year, will be submitted to a Council meeting to be held no later than the date prescribed by statute.
- 3.5 The Council will approve the estimates subject to any amendments it may consider appropriate, authorise the expenditure, determine the council tax and council house rent levels to be levied, and pass such resolutions as may be required. The Council may also determine indicative estimates for expenditure and council tax for the subsequent year or years.
- 3.6 The Revenue Budget will be presented to Cabinet prior to being recommended to Council for approval.
- 3.7 Each Head of Service will, in conjunction with the Depute Head of Finance, prepare detailed Revenue Estimates in respect of their services in accordance with resource allocations approved by the Council and to the timetable set by the Chief Financial Officer.

#### **Timetable and Guidelines**

- 3.8 The Chief Financial Officer in consultation with the Chief Executive, will report to Cabinet on the financial guidelines and funding to be considered for the purpose of preparing the Revenue Estimates.
- 3.9 The Chief Financial Officer in consultation with the Chief Executive will prepare annually, through the Depute Head of Finance, a timetable detailing procedures to be followed for the preparation of the Revenue Budget.

- 3.10 Each Chief Officer will provide the Depute Head of Finance with such details as may be required for the purpose of preparing the estimates for the forthcoming financial year and gaining the relevant Cabinet and Council approval.
- 3.11 The specific arrangements and responsibilities in relation to budget preparation for Chief Officers and budget holders are set out in a separate [FPB](#).

### **Revenue Budget Management and Monitoring**

- 3.12 Chief Officers are fully accountable for the financial performance of their Services against the budgets approved and allocated. Chief Officers are also accountable for the financial decisions, approvals and commitments made by employees within their Service.
- 3.13 Agreement of the annual Revenue Budget by Council, and the resultant service budget expenditure approved provide officers with authority to incur expenditure for the agreed purposes reflected in the annual Service Budget Estimates.
- 3.14 Expenditure may be incurred in pursuit of policies agreed by a relevant Committee of the Council **only to the extent that budgetary provision has been made, including identifiable earmarked reserves**. Where no provision has been made or where there is insufficient budgetary provision available then the Chief Officer must consult with the Chief Financial Officer setting out their plans to support the expenditure. Further guidance is set out in a separate [FPB](#).

### **Limitation on Expenditure**

- 3.15 No expenditure should be incurred unless it has been included in the approved Revenue Budget except:
- (i) where additional specific grant has been allocated;
  - (ii) where an identified earmarked service balance has been approved;
  - (iii) where a supplementary Estimate has been approved by Cabinet;
  - (iv) in emergency situations in terms of any Schemes of Delegation; or
  - (v) as provided for by the rules on virement set out below.

### **Budgetary Control**

- 3.16 Budgetary control is fundamentally about controlling financial allocations throughout the year and, as such, it is the responsibility of Chief Officers and those service officers with approval to incur expenditure or receive income to make sure that, where costs are incurred, there is sufficiency of budget to allow the invoice, order or expenditure planned to be made.
- 3.17 It will be the responsibility of the Chief Financial Officer to regularly and timeously provide all Heads of Service with budgetary control statements on the Revenue Account comparing actual performance with the respective Budget.
- 3.18 It is the responsibility of each Chief Officer to ensure that items in the revenue estimates are not overspent and that the income and expenditure of their service conforms to the authorised budget and the requirements of these Regulations.

- 3.19 Chief Officers will also provide the Chief Financial Officer whatever assistance and information is considered necessary in order to ensure the effectiveness of the budgetary control system. This will include the allocation of budgets over divisions of Service, phasing of budgets over accounting periods, explanation of budget variances and the determination of probable outturns.
- 3.20 It will be the duty of the Chief Financial Officer to provide reports to Cabinet on the current financial position of the Council in accordance with the agreed reporting schedule, or more frequently if it is considered appropriate.

### **Virement**

- 3.21 Virement is defined by CIPFA as “the transfer of an underspend on one budget heading to finance additional spending on another budget heading, in accordance with an Authority’s Financial Regulations”. In effect, virement is the transfer of budget from one main budget heading (employee costs, supplies and services etc. as defined by the CIPFA Service Reporting Code of Practice (SERCoP), to another, or a transfer of budget from one service or service grouping to another.
- 3.22 Virement requires approval and is permitted subject to the Council’s approved Scheme of Delegations as follows:
- (i) Virement must not create additional overall budget liability. One-off savings or additional income should not be used to support recurring expenditure or to create future commitments including full year effects of decisions made part way through a year.
  - (ii) Where the virement involves the transfer of up to £100,000 between budget headings and will not affect the execution of existing Council policy, the transfer will be approved by the appropriate Chief Officer. Virements must be notified to the Chief Financial Officer before the end of the accounting period in which they are approved;
  - (iii) Where the amount is over £100,000 or where the transfer would affect the execution of existing Council policy it must be approved by Cabinet.
- 3.23 Given the scale and complexity of the Council’s budget there are occasions when a small element of a service grouping budget is held centrally by the Chief Officer until further information is received later in the financial year, for example confirmed pupil numbers following the annual school census or the level of school absence cover to be provided by the centrally held school absence cover budget. There will therefore be times during the year when these centrally held budgets are transferred and utilised, however these do not derive from “an underspend of budget” as defined by CIPFA, nor are the funds used to incur additional expenditure, and consequently these transfers are regarded as being realignment of resources and not virement.

## **Variances**

- 3.24 All budget holders must immediately notify the Chief Financial Officer of any budget that is or is likely to be overspent.
- 3.25 Variance tolerance levels are set out in the covering report for the East Ayrshire Performs reports presented quarterly to Cabinet. Where any heading of income or expenditure may vary significantly from that approved in the Revenue Budget, it is the responsibility of the Chief Officer concerned, in conjunction with the Chief Financial Officer, to report to Cabinet details of the variance, management action being taken and any remedial action required.
- 3.26 Chief Officers will deliver service outcomes within the total budget resource approved by the Council. Where the budget is in overspend at a Service / sub-Service level (as defined by approved management reporting structures) or the Service forecasts an overspend within the operational budget at any point within the financial year at a Service / sub-Service level, then the Head of Service must set out a recovery plan within 4 weeks after the overspend has occurred, detailing the specific action they will undertake to balance the overspending budget, which will be subject to the approval of Cabinet. Regular progress updates will thereafter be reported to Committee by the responsible Chief Officer.

## **Year End Flexibility**

- 3.27 The Reserves and Balances Strategy approved annually by Council, alongside the Revenue Budget, allows service underspends arising from managed savings to be carried forward for use in future periods on non-recurring or fixed term projects, or to assist in aligning services with resources available over the three year budget period. Services may carry forward amounts earmarked against specific initiatives or liabilities. Further guidance in this area is provided in a separate [FPB](#).

## **Devolved School Management (DSM)**

- 3.28 The Council operates a Scheme of Delegation for schools, (Devolved School Management) in line with the DSM Guidelines issued by the Scottish Government under section 13 the Standards in Scotland's Schools etc Act 2000 and subsequent updated Guidelines. The DSM framework reflects the priorities and principles of Subsidiarity and Empowerment, Collaboration, Accountability and Responsibility and Clarity and Equity.
- 3.29 The current DSM Scheme devolves decision-making powers and budget responsibilities to Head Teachers. This empowers them to meet local needs and deliver the best possible outcomes for young learners in line with the objectives of Curriculum for Excellence, GIRFEC and the Early Years Framework through the facility to transfer budgets within the current financial year.
- 3.30 The Scheme also allows Head Teachers to forward plan through the carry forward facility. Budget transfers and carry forward facilities are required to be managed in accordance with the Council's Financial Regulations. The current [DSM.Scheme](#) is available on the Council's website.

## **Capital Investment Strategy and Capital Programme**

- 3.31 The Capital Investment Programme is inextricably linked to the Council's Revenue Budget and to the Treasury Management Strategy and as such these three reports are considered by the Council collectively when Members approve the revenue and capital spending plans. The financial impact of these decisions are presented in the Treasury Management Strategy which sets out the financial consequences in terms of borrowing costs (debt charges) to the revenue budget.
- 3.32 The Chief Financial Officer in consultation with the Chief Executive, will set the timetable for the preparation of the medium term capital plan. Chief Officers will provide such information as may be required for the purpose of the preparation of the capital plan.
- 3.33 The Council will set the strategic direction for the development of the Capital Investment Programme by agreeing high level funding allocations to projects within the context of a 10 Year Capital Investment Strategy.
- 3.34 Cabinet will review the medium term capital plan, including affordability, on a regular basis, which will take full account of the guidance contained within the Prudential Code for Capital Finance in Local Authorities. Further guidance on Capital is available in the [FPB](#).

## **Affordability of the Capital Programme**

- 3.35 Council on 23 February 2023 approved the adoption of a local affordability indicator linked to the proposed capital investment programme spending profile in the Capital Plan. The indicator limits the gross debt charges to a maximum of 8% of the Council's General Fund Net Revenue Stream which is considered prudent and affordable.
- 3.36 Projects contained within the capital investment programme will be delivered within this limit to ensure overall borrowing costs are controlled, while also providing an increased level of certainty around the affordability of the Council's Capital Plan.
- 3.37 The introduction of a borrowing cap means that projects within the programme will require to be reviewed and reprioritised against the affordability limit and the Council's future ambitions around capital spend on an ongoing basis.

## **Control of Capital Expenditure**

- 3.38 No capital expenditure will be incurred unless:
- (1) the expenditure is provided for in the Capital Investment Programme estimates;
  - (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 Government Ministers may also issue guidance that allows specified expenditure to be capitalised.

## **Capital Reporting**

- 3.39 The Depute Chief Executive will report details of capital expenditure to the Capital Programme Strategic Oversight Group and elected members on a regular and timeous basis in accordance with the appropriate committee reporting cycle established for the monitoring of income and expenditure, or more regularly as required. A similar process is in place for the review of Housing Capital.

- 3.40 Additions to programmes arising from additional specific capital grant will not require the prior approval of Council or Cabinet and will be reported to Cabinet as part of the monitoring arrangements currently in place.
- 3.41 Where the nature of any capital project changes substantially from that envisaged when the capital programme was approved, this should be reported to Cabinet.
- 3.42 Projects out with the approved capital investment programme, other than those financed wholly by additional specific capital grant, may only be introduced into the programme with approval of Cabinet.

### **Variance during the Life of a Capital Project**

- 3.43 Where it becomes apparent after the commencement of a capital project that it will be considerably under or over budget, or if the phased expenditure for the current year is likely to vary significantly, it is the responsibility of the Head of Facilities and Property Management to report immediately to the Chief Executive, Depute Chief Executive and Chief Financial Officer and to prepare a report for submission to Cabinet or Council as appropriate so that action may be taken with regard to that project or to other projects within the Capital Programme. In terms of variances within the Housing Capital Programme\* this responsibility lies with the Head of Housing and Communities.

### **Funding Approvals**

- 3.44 The Head of Facilities and Property Management is responsible for ensuring that all required funding approvals are obtained before a capital project commences. For the Housing Capital Programme this is the responsibility of the Head of Housing and Communities.

### **Capital Appraisal**

- 3.45 All capital schemes should comply with Council priorities and objectives and represent best value in terms of the options available to utilise the capital spending level determined by the Council. Chief Officers should include confirmation of this in any report which seeks approval of capital schemes.

### **Leasing**

- 3.46 From 1 April 2024 all local authorities in the UK are required to meet the financial reporting requirements for Leasing contained within International Financial Reporting Standard 16 (IFRS16) which significantly widened the interpretation and definition of a lease, removed the scope to hold lease arrangements off Balance Sheet and introduced a new 'Right of Use' asset class to the Council's Balance Sheet, and also recognised the corresponding lease liability. The Standard applies to all leases and includes property, land, vehicles, plant and equipment.
- 3.47 Consequentially any operating lease agreements (current and future) create a new debt in the Council's accounts over the life of the lease and have financial implications for the Council in respect of the Treasury Management Strategy, the Capital Programme, and the Council's Annual Accounts. Under IFRS16, all leases are classified as capital expenditure and must therefore be approved and reported as part of the Capital Programme from 1 April 2024.

\* includes HIP, SHIP and HAMF

- 3.48 All leases (new and existing) will be recorded centrally by the Finance and ICT Service and with the exception of Heritable Property and any provisions in the Scheme of Delegation, no leases for vehicles, plant or major capital assets should be undertaken on behalf of the Council without the prior approval of the Depute Head of Finance. Further detail is set out in a separate [FPB](#).

### **Year End**

- 3.49 The Chief Financial Officer is responsible for the preparation of the Council's Annual Accounts in accordance with proper practices as required by legislation and as set out in the CIPFA Code.
- 3.50 It is the responsibility of the Chief Financial Officer to select suitable accounting policies and to ensure that these policies are consistently applied to the Council's Annual Accounts.
- 3.51 The Local Authority Accounts (Scotland) Regulations 2014 require the unaudited accounts to be submitted to the appointed auditor no later than 30 June and be approved by Council in advance of being submitted to audit. Following the completion of the Audit process, the Council's Audited Accounts and the External Auditor's Report will be presented to the Governance and Scrutiny Committee.
- 3.52 Chief Officers are responsible for providing all information and assistance necessary to support the completion of the Annual Accounts within the agreed timescales. Details of Chief Officers responsibilities, information required by Services, procedures to be followed and timescales are set out in a separate [FPB](#) issued annually.

## 4 Control of Resources and Risk Management

### Accounting and Internal Controls for Financial Transactions

- 4.1 All accounting and finance procedures of the Council will be determined by the Chief Financial Officer and all accounts and accounting records will be compiled by the Depute Head of Finance or under their direction.
- 4.2 The following principles will be observed in the allocation of duties:
- There must be an effective separation of duties so that the different stages of financial transactions are progressed by different people;
  - Financial transactions will be subject to internal checking to reduce the likelihood of fraud and errors.
- 4.3 Procedures for calculating, checking and recording sums due by or to the Council should be arranged in such a way whereby the work of one person is proven independently or is complementary to the work of another and these operations will be separated from the duty of collecting or disbursing such sums.
- 4.4 Officers charged with the duty of examining and checking the accounts of cash transactions will not themselves be engaged in any of these transactions.
- 4.5 There will be regular management review by service managers of financial transactions, in addition to budget monitoring, to ensure the accuracy and completeness of financial records.

### Legality of Expenditure

- 4.6 It is the responsibility of all Chief Officers to ensure that no financial transactions will take place unless they fall within the legal powers of the Council. When in doubt, Chief Officers must consult the Chief Governance Officer **before** any liability or expenditure is incurred. 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.

### Best Value

- 4.7 The Council has a duty under the Local Government Scotland Act 2003 to invoke proper arrangements for securing Best Value in the use of resources and delivery of services. In securing Best Value, the Council is required to maintain an appropriate balance of:
- The quality of its performance of its functions;
  - The cost to the body of that performance; and
  - The cost to persons of any service provided by it for them on a wholly or partly rechargeable basis.
- 4.8 In maintaining that balance, the Council will have regard to economy, efficiency, effectiveness and the need to meet the equal opportunity requirements.
- 4.9 There will be a process of strategic planning which will have full Elected Member involvement, in order to establish the systematic identification of priorities and realisation of Best Value in the delivery of services. It will 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.

- 4.10 Each Chief Officer will be responsible for ensuring implementation of both the corporate and service applications of the strategic planning process. All Chief Officers must ensure that they can demonstrate that proper arrangements are in place to secure Best Value and that there are effective service planning arrangements in place.
- 4.11 The Scottish Government's Statutory Guidance on Best Value (2020) requires the Council to demonstrate that Best Value is delivered in the following areas:
- Vision and leadership
  - Governance and accountability
  - Effective use of resources
  - Partnerships and collaborative working
  - Working with communities
  - Sustainability
  - Fairness and equality.
- 4.12 The Council's external auditors will report on an annual basis across these seven themes to provide independent assurance on the use of public money and to help the Council improve services.

#### **Prevention of Fraud & Corruption**

- 4.13 The Council complies with the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption (2014). All Chief Officers are responsible for implementing policies, procedures and controls to prevent and detect fraud, theft and corruption in their Services. Internal Audit will assist in the effective discharge of this responsibility and will evaluate the potential for the occurrence of fraud and how the Council manages fraud risk.
- 4.14 Any evidence or reasonable suspicion of an irregularity relating to any property of the Council must be reported immediately in accordance with the Council's Defalcation / Corrupt Practices Procedures or "Whistleblowing" Procedure. All reported irregularities will be investigated in accordance with the appropriate procedures. It is the responsibility of Chief Officers to promote awareness and adherence to the Council's Defalcation / Corrupt Practices Procedure.

#### **Responsibility for Security of Council Assets**

- 4.15 Each Chief Officer is responsible for maintaining proper security, custody and control at all times of all plant, buildings, materials, stores, furniture, equipment, cash and other Council assets under their control. Chief Officers will notify the Head of Facilities and Property Management immediately in any case where security is thought to be defective or where it is considered that special security arrangements may be required.
- 4.16 Council property will not be removed other than in the course of normal Council business or used other than for the Council's purposes without the specific approval of the Chief Officer or nominated officer concerned. Where property is removed for Council purposes, a register must be maintained on the movement of such items together with authorisation for the removal of such property.

### **Key Holding**

- 4.17 A register of all key-holders will be kept by each service. The loss of any keys to premises must be reported immediately to the appropriate Chief Officer and also to the police. In addition the Risk Management Centre must be advised immediately of any perceived additional security risks, following loss or theft of keys.
- 4.18 Where keypad and card entry systems are in use, access codes should only be made known to employees who are required to access the relevant secure areas. Combinations should be changed regularly (at least annually) and especially where there is a change of employees authorised to have access to the code.

### **Safe Keys**

- 4.19 Keys or electronic codes to safes and similar receptacles containing cash or valuable documents or items will be carried on the person of those responsible. A register of all keyholders will be kept by each service and the loss of any such keys / codes must be reported immediately to the relevant Head of Service.

### **Limits to Cash Holdings**

- 4.20 The Council no longer accepts cash in the normal operation of its services, however some Services may have certain facilities with a residual cash requirement. In these cases, where cash is held, it is the responsibility of the Chief Officer to liaise with the Depute Head of Finance to agree the maximum amount of cash to be held in the premises under their control. The agreed amount will not be exceeded except with written agreement.

### **Cash Carrying**

- 4.21 Levels and types of security required to comply with the Council's insurance requirements should be obtained from the Insurance Manager. In general terms and for reasons of personal safety, any cash carryings by employees should be kept to an absolute minimum.

### **Controlled Stationery**

- 4.22 All official controlled stationery, such as cheques, bank pay-in books, accounts receivable accounts and receipts for the disbursement and collection of monies will be in a form approved by the Depute Head of Finance and will be ordered, controlled and issued to the relevant Chief Officer by them or under arrangements agreed by them. All arrangements for the signing of cheques on behalf of the Council will be made by the Depute Head of Finance.

### **Credit Cards**

- 4.23 The Council will use a Corporate Credit Card facility (in the form of a physical or virtual credit card) provided by its appointed corporate bankers. This will provide individual Chief Officers and authorised employees a credit card payment facility for ad-hoc expenditure and expenses. All credit cards issued to individual employees acting for and on behalf of the Council will only be opened or closed by the Depute Head of Finance or their representative.
- 4.24 An aggregate credit limit will be negotiated with the Council's bank and individual sub-limits will be assigned to individual officers based on operational requirements. 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 Depute Head of Finance.

- 4.25 The Depute Head of Finance will issue procedures for the application, issue and control of credit cards which will be held in the name of the individual officer acting on behalf of the Council.
- 4.26 All Chief Officers holding an individual card or responsible for cards issued to employees under their supervision and control will be responsible for ensuring that appropriate authorisation is obtained, adequate records and receipts are kept and provide all information required to the Depute Head of Finance in line with the [FPB](#).

### **Purchasing Cards**

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

### **Recording of Council Assets**

- 4.28 The Council holds significant assets in the form of property, vehicles, equipment and other items. It is important that these assets are safeguarded and used efficiently in service delivery, and that there are arrangements for the security of all assets and information required for service operations. An up-to-date asset register is required to ensure sound asset management and proper fixed asset accounting. Detailed registers of the Council's assets, which must comply with the CIPFA Code will be maintained as follows:

<b>Register</b>	<b>Responsibility of:</b>
Housing Property	Head of Housing and Communities
Land and Non-Housing Property	Head of Facilities and Property Management
Information Technology	Depute Head of ICT
Transport	Head of Ayrshire Roads Alliance
Vehicles and Operational Equipment	Heads of Service are responsible for maintaining their service Vehicle and Equipment registers
Leases	Heads of Service are responsible for maintaining service lease registers

### **Title Deeds**

- 4.29 All title deeds will be held securely by the Chief Governance Officer who will be responsible for the maintenance of all of the Council's titles.

### **Risk Management**

- 4.30 The Council's Risk Management Strategy sets out the framework to be adopted to ensure risk is properly identified and controlled within the Council. The Strategy details the roles and responsibilities for risk across the Council and Services and ensures that the Council's approach to risk management and risk appetite supports the delivery of the East Ayrshire Community Plan 2015-2030 and the Council's Strategic Framework 2022-2027.
- 4.31 All Chief Officers are responsible for ensuring that suitable arrangements for the identification and management of risks are established within their Service.

- 4.32 The Corporate Officer for Risk Management is responsible for the co-ordination and management of the Corporate Risk Register reported as part of the quarterly East Ayrshire Performs reports to Cabinet. Key Risks recorded on Risk Registers must be regularly monitored and reviewed by Services in accordance with the Risk Management Strategy.
- 4.33 All Chief Officers are responsible for recording, reporting, and managing operational risks which impact on service delivery and planning and provide early identification of strategic risks with subsequent reporting to the Council Management Team as appropriate.
- 4.34 The Corporate Officer for Risk Management will work closely with the Insurance Manager, as required, in matters relative to both Strategic and Operational Risk Management.

### **Insurance**

- 4.35 The Depute Head of Finance will make appropriate insurance arrangements for all aspects of the Council's activities, subject to any Scheme of Delegation and the general supervision of Cabinet. Further details are set out in a separate [FPB](#).
- 4.36 The Depute Head of Finance will arrange, taking specialist advice as necessary, that adequate insurance cover is obtained for all normal insurable risks arising from the activities of the Council and for which it is the general custom to insure.
- 4.37 With regard to member / officer appointments on external companies and trusts, adherence should be made to protocols established by the Chief Financial Officer in relation to the requirements for and details of, all members and officers indemnities.
- 4.38 Chief Officers will give prompt notification to the Depute Head of Finance of all new or increased risks, properties or vehicles which should be covered by insurance and of any alteration affecting existing insurances.

### **Notification of Insurance Claims**

- 4.39 Chief Officers will notify the Insurance Team immediately of any loss, liability, injury or damage or any event likely to lead to an insurance claim. Thereafter the Insurance Team will be responsible for advising the insurance company concerned.
- 4.40 The Depute Head of Finance will arrange the negotiation of all claims on behalf of the Council in consultation with any Chief Officer or Senior Manager concerned.

### **Review of Insurance Cover**

- 4.41 The Depute Head of Finance will annually review all insurance covers in consultation with appropriate Chief Officers. All insurance policies will be subject to tendering procedures every 5 years, or such extended period, reasonably determined by prevailing market forces, where market conditions can be shown to be advantageous to the Council.
- 4.42 It will be the responsibility of the Head of Facilities and Property Management to provide details of reinstatement values and any other relevant details of Council assets to support the insurance renewal, with this information being provided in a timely manner and to the extent required by the Council's insurance provider.

## **Stocks and Stores**

4.43 The care, custody and level of stores and equipment in any service will be the responsibility of the appropriate Head of Service who will ensure that:

- stocktaking is carried out at regular intervals;
- all obsolete or excess stock or scrap material is identified and disposed of in accordance with the **FPB**.

4.44 Each Head of Service will report annually to Cabinet the total values of write-offs and surpluses of stock, the net effect of these adjustments on the book value of consumable stores under their control, and a brief explanation of the reasons for this action. All stock write-offs must be notified to the Depute Head of Finance.

## **Inventories**

4.45 Each Head of Service will ensure that inventory records are maintained at locations used by their employees in accordance with the inventory procedures set out within the **FPB**. It is essential for the proper control of such assets and for security purposes in the event of fire, theft and other risks covered by insurance, that Heads of Service ensure inventory records for all establishments are maintained on a continuous basis.

## **Disposal of Assets**

4.46 All surplus plant, equipment, furnishings, materials, etc. shall be disposed of in line with **FPB**. A disposal to a Member, Officer or Employee of the Council or their immediate friends or family should be notified to the Chief Executive for approval in advance of such disposal.

## **Security and Retention of Documents**

4.47 All Chief Officers are responsible for maintaining proper security, custody and control of all documents within their service. The Council has a suite of Policies, Procedures and Training to support effective Records Management. All documents and records will be managed in line with the Council's Records Management Policy Document and other associated documents.

4.48 The Council's Corporate Retention Schedule provides guidance on record types, retention periods and any applicable legislation governing retentions.

4.49 The retention period for records relating to financial matters will be determined by the Depute Head of Finance in consultation with the Chief Governance Officer.

## **Data Protection Act**

4.50 The Data Protection Act 2018 and the General Data Protection Regulations (GDPR) came into force on 25 May 2018 and make provision for the regulation of the processing of information relating to individuals, including the obtaining, holding, use of and disclosure of this information.

4.51 The Council has a suite of Data Protection and GDPR policies, guidelines, procedures and training and Chief Officers are responsible for ensuring that all employees comply with these to protect the use and security of all personal data held by the Council. All queries and issues in this area should be directed to the Chief Governance Officer.

## **Contracts**

4.52 All matters relating to contracts will be conducted in accordance with the Council's Standing Orders relating to Contracts and other guidance issued by the Chief Governance Officer.

## **Property Disposals**

4.53 All disposals of heritable property will be in accordance with the Council's approved Property Disposals Procedures. Failure to follow these procedures may result in disciplinary action.

## **Treasury Management**

4.54 The Council adopts the key recommendations in Section 5 of CIPFA's Treasury Management in the Public Services: Code of Practice (the Code). Accordingly, the Council will maintain, as the cornerstones for effective treasury management:

- an Annual Treasury Management and Investment Strategy identifying the policies, objectives and approach to risk management of its treasury management activities; and
- suitable treasury management practices ([TMPs](#)), setting out the manner in which the Council will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.

4.55 The Council will receive reports on its treasury management policies, practices and activities including, as a minimum, the annual strategy and plan in advance of the year, a mid-year review and an annual report after its close, as prescribed in its TMPs. Performance in respect of treasury management and prudential indicators will be included as part of the EAC Performs reports to members throughout the year.

4.56 The Council delegates responsibility for the implementation and monitoring of its treasury management policies and practices to Cabinet and for the execution and administration of treasury management decisions to the Chief Financial Officer, who will act in accordance with the Council's policy statement and TMP's and CIPFA's Standard of Professional Practice on Treasury Management.

4.57 The Governance and Scrutiny Committee is responsible for ensuring effective scrutiny of the treasury management strategy and policies.

4.58 All executive decisions on borrowing, investment or financing will be delegated to the Chief Financial Officer who will act in accordance with the Code, the Treasury Policy Statement and the agreed Treasury Management Policies and Practices available in a separate [FPB](#).

## **Banking Arrangements**

4.59 The Depute Head of Finance is responsible for appointing the Council's Bankers and this will be carried out in accordance with the Council's tendering procedures.

4.60 Official bank accounts bearing the Council's name will only be opened or closed by the Depute Head of Finance. No bank accounts will be opened without the approval of the Depute Head of Finance.

- 4.61 All monies received will be paid into the Council's bank accounts daily or within timescales approved by the Depute Head of Finance and will be accounted for in accordance with arrangements approved by the Depute Head of Finance set out in the [FPB](#). Limits on cash handling should be within the overall cash limits defined for security purposes.
- 4.62 All arrangements for ordering, controlling, signing and issuing cheques on behalf of the Council will be made by the Depute Head of Finance.
- 4.63 All services provided by the bank in relation to the management of the Council's bank accounts and the issue of cheques will be subject to open tendering procedures at least once every five years in line with Contract Procurement procedures and timescales.

### **Borrowing**

- 4.64 All arrangements for borrowing money required by the Council for the purposes of its functions will be made by the Depute Head of Finance. All borrowings will be in the name of the Council. The Chief Governance Officer will be the Registrar of Mortgages for the purposes of the Local Authority Mortgages (Scotland) Regulations 1975 and the Local Authority Stocks and Bonds (Scotland) Regulations 1975.

### **Investment and Trust Funds**

- 4.65 Funds will be invested in accordance with the Council's Treasury Management Strategy Statement and Annual Investment Strategy and will be held in the name of the Council. All trust funds will, whenever possible, be held in the name of the Council.
- 4.66 The sale of investments, unless otherwise provided for in a trust deed or other document, will be within the policy determined by the Council.
- 4.67 The Depute Head of Finance will arrange, taking such specialist advice as may be necessary, for the investment in authorised securities of money held in respect of Charity, Trust, Reserve and other Special Funds, and not immediately required to be expended for the purpose of those Funds.
- 4.68 All officers acting as trustees by virtue of their official position will deposit all securities, bank books and documents (other than title deeds to heritable property) and articles of value relating to any trust with the Chief Financial Officer unless the relevant trust deed provides otherwise.
- 4.69 The Depute Head of Finance will ensure the proper and safe custody of all charitable funds held by the Council and that all expenditure is in accordance with the conditions of the fund and the regulations set out by the Office of the Scottish Charity Regulator (OSCR).

### **Money Laundering Regulations and Proceeds of Crime Act**

- 4.70 The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 came into force on 26 June 2017. Although local authorities are not obliged to comply with the requirements of the Money Laundering Regulations 2017, CIPFA guidance recommends they embrace the

underlying spirit of the legislation as it impacts on certain areas of their work.

- 4.71 The Chief Financial Officer will ensure that appropriate arrangements are in place to inform and provide training to all relevant officers in respect of the requirements placed upon them by this legislation. The Chief Financial Officer will also determine and maintain appropriate internal reporting procedures including the nomination of an officer who will be responsible for receiving disclosures from anyone in the organisation who is suspicious of money laundering and report this to the Serious Organised Crime Agency. The Council's nominated officer in this regard is the Chief Governance Officer.
- 4.72 It is the responsibility of all Chief Officers to ensure that all employees are made aware of the Anti-Money Laundering Policy and receive appropriate training on their obligations under the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 and the duty to notify the Chief Financial Officer of any known or suspected money laundering activities.

### **Cash and Other Receipts**

- 4.73 In exceptional circumstances the Council may require to accept cash payments and as a consequence a maximum limit for single cash transactions of £5,000 has been adopted.
- 4.74 Significant cash receipts should be properly evaluated, evidence gathered and if not supported refused. Any bank payments from unknown or overseas banks should be subject to similar scrutiny.

### **External Funding**

- 4.75 The principles of openness, integrity and accountability in decisions on spending public money should apply to funds or other resources which are transferred by the Council to bodies such as companies, trusts and voluntary organisations where such bodies are subject to local authority control or influence and where they operate at arm's length.
- 4.76 Services providing grants to external organisations should adhere to the Council's external funding guidance set out in a separate **FPB** which reflects Following the Public Pound and provides detailed guidance on managing and monitoring funding arrangements in relation to external bodies.
- 4.77 Each Chief Officer will be responsible for ensuring the implementation of and adherence to, all Codes and Guidance issued on external funding arrangements.
- 4.78 Any agreements will include right of access of the Council's Internal and External Auditors to the systems, records, and documents and correspondence of that organisation.

### **Partnerships**

- 4.79 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;

- a public or private organisation undertaking part funding or participating as a beneficiary in a project including PPP / PFI; or
- a body whose nature or status gives it a right or obligation to support a particular project.

In all instances the Chief Officer of the lead service for the Council should be able to demonstrate that:

- (i) 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 the Chief Financial Officer considers and agrees that alternative / additional guidance is appropriate.
- (ii) 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.
- (iii) documented project management arrangements are in place.
- (iv) responsibility for Budgetary Control for any project is vested in one officer.
- (v) 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, Committees, Cabinet and the Council itself.
- (vi) a project exit strategy is in place for limited life projects.
- (vii) arrangements are in place for risk appraisal, monitoring, management and control with particular attention being paid to the possible existence of "liabilities which are potentially assumed under contract".
- (viii) Any commitment to participate is not considered to be "ultra vires".

### **External Consultants**

4.80 Where the need for additional resources or specialist skills arise, Services must complete a robust assessment demonstrating that all options have been considered, recommending an appropriate course of action, and for this to be approved by the appropriate Chief Officer. Thereafter the Procurement Manager must be notified to secure the appointment through the most appropriate process in line with the Council's Standing Orders Relating to Contracts. Further Guidance is set out in the [FPB](#).

## 5 Systems and Procedures

### Control of Income

#### Determination of Charges

- 5.1 Each Head of Service will review annually or where appropriate more frequently, the charges for goods or services provided by their service and, except where the charge is fixed externally, will submit proposals for the consideration of Cabinet. In order to preserve the real value of such income, increases recommended to Council, Cabinet or Committee should have regard to factors such as the current rate of inflation and any other relevant financial considerations.

#### Accounting for Income

- 5.2 Chief Officers have an overall responsibility to identify and secure all income due to the Council. Payment for goods or services provided by the Council should be sought in advance of the goods or services being provided where possible as this is the most administratively efficient approach and also reduces the risk of non-payment.
- 5.3 The Chief Financial Officer will make appropriate financial and accounting arrangements to ensure the proper collection, banking and recording of all income due to the Council and this is set out in a separate [FPB](#). All Chief Officers are responsible for ensuring that all relevant employees are aware of and apply the arrangements set out in this guidance.

#### Treatment of Money Collected

- 5.4 All money received on behalf of the Council in any service will be recorded and deposited immediately with the Council's Bankers in accordance with arrangements approved by the Depute Head of Finance set out in the [FPB](#). No deduction will be made from such money. Cash discount will not be offered to any debtor.
- 5.5 Where payment in advance of the provision of the relevant goods and services is not possible, then an invoice must be raised and issued to the relevant party at the earliest opportunity in line with the arrangements issued by the Depute Head of Finance.

#### Personal Cheques / Cash Advances

- 5.6 Personal cheques or cash advances will not be cashed out of money held on behalf of the Council.

#### Transfers of Cash, Cheques and other Cash equivalents

- 5.7 All transfers of cash, cheques (pre-signed and National Giro), and Investment Certificates etc. from one employee to another will be evidenced in the records of the service concerned by the signature of the receiving officer.

## **Grant income**

- 5.8 All grant applications and claims for reimbursement / payment will be approved by the Chief Financial Officer or the Depute Head of Finance prior to submission to the appropriate funding body. The Chief Financial Officer or the Depute Head of Finance will be advised on a timely basis of all relevant information necessary for them to accept, submit or certify applications for grants due to the Council. All grants will be paid direct to the Council.
- 5.9 The grant recipient Head of Service is responsible for ensuring that all financial conditions of the grant are met including the certification of all eligible expenditure to be applied against that grant.
- 5.10 All Grant Income should be accurately recorded in the Council's financial ledger using appropriately recognised grant income codes.
- 5.11 Documentation supporting the provision and conditions of all grant income must be retained by services and readily available for inspection by relevant Council Officers or external auditor to ensure accurate recording of grants including those for use across multiple financial years.

## **Debtors**

- 5.12 Services are required to monitor and review their outstanding accounts on a regular basis. Accounts which remain outstanding after 14 days require to be considered for further recovery action by service management in line with the arrangements also set out in the [FPB](#).

## **Bad debts and Provisions**

- 5.13 Appropriate provisions for bad debts will be made within the accounts of the Council. Provisions will be charged to the service account to which the income was originally credited when the invoice was raised.
- 5.14 Bad Debts unrecovered by the Council will be written off in line with the Scheme of Delegation approved by the Council. Services will be notified of the amounts written off and a full list of accounts will be available upon request. Sums written-off will be charged to the service bad debt provision.

## **Salaries and Pensions**

- 5.15 Payment of all salaries, pensions and other emoluments to all employees, former employees or beneficiaries will be made by the Head of People and Culture.
- 5.16 All Heads of Service must notify the Head of People and Culture timeously of all matters affecting the payment of salaries and other emoluments, in particular:
- appointments, resignations, dismissals, suspensions, secondments and transfers;
  - changes in remuneration, other than normal increments and pay awards and agreements of general applications;
  - absences from duty for sickness or other reason apart from approved leave;
  - information necessary to maintain records of service for superannuation, income tax and social security purposes.

- 5.17 All payroll documentation will be in a form prescribed or approved by the Head of People and Culture and will be certified by or on behalf of the appropriate Chief Officer. The names of officers authorised to certify such documents will be sent immediately to the Head of People and Culture by the Chief Officer, together with specimen signatures and the names will be amended timeously for any changes. No pay document will be processed unless certified by an authorised signatory.
- 5.18 It is the responsibility of all officers authorising expenditure via the payroll process to ensure that there is adequate budget capacity within the Service.
- 5.19 Services will have their own arrangements for employees to report additional hours worked such as Overtime or Bank Work. These claims must be checked and verified by the Service in line with the current Internal Audit directive. Following these checks, the Service can key the payments directly into the Council's Payroll system (CHRIS21) via the process known as Fast Timesheets. Following any keying taking place, the Service should download the relevant keying report to confirm accuracy of keying prior to the final submission to Payroll being made. The Service has ultimate responsibility to ensure correct remuneration is paid when using this process.
- 5.20 No officer certified to authorise Fast Timesheets should attempt to authorise their own personal claim. In these situations a separate authorising officer must be identified.

### **Employee Expenses**

- 5.21 The Head of People and Culture is responsible for the regulation, administration and payment of claims for expenses and allowances to Elected Members and employees of the Council.
- 5.22 All claims for Travel Fares, Subsistence Allowances, Car Mileage Allowances and other incidental expenses will be submitted on a regular monthly basis using the online Expenses claim form in line with the Councils Travel and Subsistence Policy (HR 40/23). This circular provides a guide for Management to ensure the effective monitoring and control of all Expenses. Historic claims from outside of the stipulated 3 month claim period will not be processed.
- 5.23 Claims will not be made out of imprest accounts. All such expenses will be paid through the Payroll System except in circumstances approved by the Head of People and Culture.
- 5.24 When submitting an online expenses claim, the employee is confirming that they have a valid driving licence and appropriate insurance arrangements in place to cover their vehicle for business use. Heads of Service must ensure that driving licences and insurance documents are inspected on an annual basis and details recorded within Appendix 2 of the Road Risk Policy Road Risk VF 1 form rev 4.
- 5.25 The online Expenses claim form does not require a signatory from either the employee or their line manager. However, in submitting the claim the employee is required to acknowledge, by means of tick boxes, that they are in fact submitting a genuine claim and that they are aware of the consequences for doing otherwise.

- 5.26 Any claims made via the online Expenses claim form and thereafter paid to employees are reported back to the Services on a monthly basis. Officers within the Services have been identified to validate these reports. Manual checks of selected claims will take place each month in line with Internal Audit recommendations. A record of these checks is maintained within the online system.

### **Elected Members Expenses and Allowances**

- 5.27 Members Allowances will be paid in accordance with the Council's approved Scheme of Members' Allowances and national regulations.
- 5.28 The Chief Governance Officer will make available the current Regulations on expenses and allowances to members and approved bodies as required. Further guidance is available in the [FPB](#).
- 5.29 As is the case with Council employees, all claims for Travel Fares, Subsistence Allowances, Car Mileage Allowances and other incidental expenses will be submitted on a regular monthly basis using the online expenses claim form in line with the Council's Travel and Subsistence Policy (HR 40/23). Claims applicable to a particular financial year will be submitted on or before 10 April to ensure posting in the correct financial year.
- 5.30 The Democratic Services Manager will maintain a record of members allowances, showing the name of the recipient and the amount and nature of the payments. This record will be available for public inspection and will be published on the Council website no later than 1 June each year.

### **Gifts and Hospitality**

- 5.31 Employees are personally responsible for all decisions made relating to offers of gifts or hospitality received in the course of their employment. The detailed guidance that all Chief Officers and employees must adhere to in respect of gifts and hospitality is set out in the Council's Code of Conduct Policy (HR 10/23).

### **Official Orders and Payment of Accounts**

- 5.32 With the exception of 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 will be ordered by an electronic purchase order through the corporate eProcurement system, and acceptances will be by officers authorised by the relevant Head of Service.
- 5.33 Orders and acceptances of tenders or offers will be authorised either electronically or in writing only by officers certified to do so by the Head of Service of the ordering Service and in accordance with the Council's Standing Orders Relating to Contracts. Each Service will maintain a current list of officers so authorised, together with specimen signatures.
- 5.34 Limits regarding the level and type of expenditure to which authorising officers can commit the Council will be formalised and maintained by each Head of Service and will be recorded on the list of authorised officers, which will be held by the Chief Financial Officer.

- 5.35 All procurement of goods, materials, services and works must be carried out in full compliance with approved Standing Orders Relating to Contracts.
- 5.36 In placing orders, Chief Officers will ensure that the expenditure is properly incurred and is within budget provision. Chief Officers should seek to eliminate the occurrence of off-contract spend.

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

- 5.37 It is the duty of the Chief Officer or other authorised officer to ensure that all goods, materials and services received meet the agreed price, quantity and quality.
- 5.38 Where goods have been ordered using the eProcurement system, the receipt of goods will also be recorded against the appropriate order on the system. Goods and Services received must be receipted when satisfactory goods/ services have been delivered to ensure no delay in payment.

### **Certification for Payment**

- 5.39 **Under no circumstances should goods or services be paid for in advance of them being received by the Council.** Where this causes a particular issue within a service area, this should be discussed with the Chief Financial Officer.
- 5.40 Where goods or services are ordered using the electronic procurement system, invoices will be paid following the specific guidance in the [FPB](#). For payment of goods not ordered by an electronic procurement system, or in the absence of any such guidance the process to follow will apply.
- 5.41 The Chief Officer of each service which incurs expenditure will arrange for the certification in accordance with the systems processes by an officer of their service that all payments comply with the following:
- (i) the expenditure is on items or services which it is within the Council's legal power to incur and is within budget provision;
  - (ii) 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;
  - (iii) the prices, extensions, calculations, trade discounts, other allowances, credits and tax are correct;
  - (iv) the relevant financial ledger code numbers are entered on the document for payment;
  - (v) appropriate entries have been made in inventories, stores records or stock records as required;

### **Method of Payment**

- 5.42 With the exception of payments from imprest accounts or corporate credit card accounts, the normal method of payment of money due from the Council will be by BACS or other instrument drawn on the Council's bank account(s) by the Chief Financial Officer or any person authorised by them.

- 5.43 Instructions on the procedures for recording of payments, method of payment and document retention will be issued by the Depute Head of Finance. All documents must be held in an agreed format in order to ensure easy accessibility and recovery of documents as required.

### **Payment Timetable**

- 5.44 In terms of the timescales for the payment of invoices received by the Council, the Late Payments of Commercial Debts (Interests) Act 1998 recognises a general payment period of 10 or 30 days unless other terms are mutually agreed.
- 5.45 The Council aims to pay all supplier invoices within 28 calendar days of receiving them and all invoices should be passed for payment to the Finance & ICT Accounts Payable section within 18 calendar days of receiving them to allow this payment target to be met. Invoices must be processed timeously by all Services and Chief Officers should ensure that all orders are receipted and invoices processed without delay to ensure the Council's payment terms are complied within the timescale, unless they are held back due to a dispute.
- 5.46 Payment must not be made prior to the receipt of supplies and services and where this is an issue advice should be sought from the Chief Financial Officer or the Depute Head of Finance. Where a payment requires to be made in circumstances where there is no supply of goods or services, e.g. grant payments and refunds, then such payments must be made in accordance with procedures issued by the Depute Head of Finance.

### **Authorised Signatories**

- 5.47 A list of authorised signatories for the certification of invoices will be supplied by each Chief Officer, to the Depute Head of Finance together with specimen signatures. Additions or deletions will be notified to the Depute Head of Finance as they occur and the accuracy of the list will be reviewed at least annually by the appropriate Chief Officer. No payment will be made unless certified by an authorised signatory.

### **Duplicate Invoices**

- 5.48 Payment will not be made on duplicate or photocopy invoices unless the relevant Chief Officer or other authorised officer certifies in writing that the amounts have not previously been passed for payment.

### **Pro-forma Invoices**

- 5.49 Payment will not normally be made on 'pro-forma' invoices that state 'this is not a VAT invoice'. In exceptional circumstances where such payments may be made, it will not be possible for the Council to recover VAT, which will be charged to the Service budget until a VAT invoice is provided.

### **Amendments to Invoices**

- 5.50 No changes will be made to tax invoices which must instead be returned to the creditor for amendment and reissue.

## **Cash Imprests**

- 5.51 Services no longer retain cash imprests as part of their operational requirements except in specific circumstances. In these cases and on the recommendation of the Chief Officer concerned, the Depute Head of Finance will provide such imprest accounts as they consider may be required for purposes of financing petty and other minor expenses.
- 5.52 The Depute Head of Finance will open bank accounts where it is considered appropriate. In no circumstances will the imprest holder overdraw the account and while it will be a standing instruction to the Council's bankers that an imprest holder's account shall not be overdrawn, it remains the imprest holder's responsibility to adhere to this condition. Bank accounts will not be opened by any officer other than the Depute Head of Finance or their depute.
- 5.53 No payments to the Council will be paid into an imprest account but will be lodged in a bank daily or within timescales approved by the Depute Head of Finance. Any bank interest earned on imprest accounts will be remitted separately and immediately to the Depute Head of Finance and will not be left in the imprest bank balance.
- 5.54 Payments from imprest accounts will be limited to minor items as the Depute Head of Finance may approve. Imprests must not be used to pay major expenses claims or any suppliers' invoices. The Depute Head of Finance may prescribe an upper limit to individual items of expenditure to be met out of imprest accounts. Payments must in all cases be supported by a receipt and where VAT has been incurred, this should be a VAT receipt.
- 5.55 Any officer responsible for an imprest account will, when requested, give the Depute Head of Finance a certificate as to the balance of the imprest account.
- 5.56 An officer leaving Council employment or otherwise ceasing to be entitled to hold an imprest advance, will account to the Depute Head of Finance for the amount advanced to them. A formal record of this accounting will be prepared and retained in the relevant service concerned for inspection.

## **TAX / Value Added Tax (VAT)**

- 5.57 Like all other organisations, the Council is responsible for ensuring its tax affairs are in order. Tax issues are often very complex and the penalties for incorrectly accounting for tax are severe. It is therefore very important for all officers to be aware of their roles and responsibilities in this area.
- 5.58 The key controls on taxation are:
- (a) budget holders are provided with relevant information and kept up to date on tax issues;
  - (b) budget holders are instructed on required record keeping;
  - (c) all taxable transactions are identified, properly carried out and accounted for within stipulated timescales;
  - (d) records are maintained in accordance with instructions;
  - (e) returns are made to the appropriate authorities within the stipulated timescale.

- 5.59 It is the responsibility of the Chief Financial Officer to complete a monthly return of VAT input and outputs to HM Revenue & Customs and to provide monthly and annual returns to HM Revenue & Customs regarding the Construction Industry Tax Deduction Scheme.
- 5.60 It is the responsibility of the Head of People and Culture to complete all HM Revenue & Customs returns regarding PAYE and employee taxes.
- 5.61 It is the responsibility of Chief Officers to ensure:
- the correct VAT liability is attached to all income and that all VAT recoverable on purchases complies with HM Revenue & Customs Regulations;
  - All new proposals to generate income must be notified to the Exchequer and Capital Finance Section to ensure that the VAT implications are considered;
  - Invoices are coded in accordance with VAT status and supply;
  - Bank paying-in slips income returns, together with debtor accounts, must be completed in accordance with instructions;
  - VAT on expenditure from MasterCard payments can only be recovered if VAT receipts are obtained and included with reimbursement claims;
  - where construction and maintenance works are undertaken, the contractor fulfils the necessary Construction Industry Tax Deduction requirements;
  - all persons employed by the Council are added to the Council's payroll and tax deducted from any payments, except where the individuals are bona-fide self-employed or are employed by a recognised employment agency;
  - all payments to employees must be made through the payroll system, except with the explicit approval of the Chief Financial Officer;
  - the Service adheres to the guidance on taxation issued by the Chief Financial Officer in the [FPB VAT](#).