



# Financial Regulations

Head of Finance

May 2023

## **Preface**

Section 95 of the Local Government (Scotland) Act 1973 requires local authorities to make arrangements for the proper administration of their financial affairs and to appoint a “Proper Officer” with responsibility for the administration of those affairs. The Local Authority Accounts (Scotland) Regulations 1985 places upon the Proper Officer the duty to determine the system of accounting control and the form of accounts and supporting records to be maintained. It also imposes a duty on the Proper Officer to ensure that these accounts and records are kept up to date. I am the Proper Officer appointed for the purposes of Section 95 by Perth & Kinross Council and these Regulations exist to contribute to the fulfilment of the statutory responsibilities set out above.

These Regulations are made in order to provide a sound basis for the control of Perth & Kinross Council’s financial affairs. Specifically, they aim:

- (i) to ensure compliance with the legal obligations placed upon the Council in respect of financial administration;
- (ii) to ensure that the Council’s accounting records are accurate and complete;
- (iii) to promote compliance with the standards set out in the Council’s Governance Framework.
- (iv) to protect the Council against the risk of fraud and financial irregularity;
- (v) to safeguard the Council’s assets;
- (vi) to enable the provision of appropriate management information; and
- (vii) to promote best value in the Council’s operations.

**S MacKenzie**

**Head of Finance**

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## **1. INTRODUCTION**

### **General**

- 1.1 The purpose of these Regulations is to provide a sound basis for the control of the financial affairs of the Council.
- 1.2 It is the responsibility of the Executive Leadership Team to ensure that the Regulations are complied with within their Services and that their employees are fully aware of them.
- 1.3 All employees must comply with these Regulations regarding any matter to which they apply. These Regulations also apply to any Council resources in any partnership project.
- 1.4 It is the responsibility of the Head of Finance to ensure that –
  - (a) Elected members are aware of the Regulations;
  - (b) The Regulations are observed and applied consistently throughout the Council; and
  - (c) The Regulations are kept under review to ensure that they are effective.
- 1.5 The Head of Finance may issue additional guidance on any matter contained within these Regulations. Such guidance shall have the same force and authority as these Regulations. The Executive Leadership Team may also issue guidance in respect of their Services. The Head of Finance may, if it is deemed necessary, require any such additional guidance from the Executive Leadership Team to be modified or withdrawn.
- 1.6 Any material breach of these Regulations must be reported to the Head of Finance, who will determine the appropriate course of action to be taken.
- 1.7 Nothing in these Regulations should restrict any employee from responding to an emergency so long as the Head of Finance is advised as soon as possible after the action is taken.
- 1.8 The Head of Finance is the financial adviser to the Council and has the right to report to the Council on any relevant financial matter.
- 1.9 The Executive Leadership Team is authorised to incur expenditure where an approved budget heading exists or there is specific Council approval. All expenditure is subject to the terms of the Council's Scheme of Administration and any other conditions imposed by the Council.

### **Definitions and Interpretations**

- 1.10 The terms used in these Regulations should be interpreted, where applicable according to the definitions set out below and in consultation with the Head of Finance.
- 1.11 Where these Regulations refer to approval by the Council this includes approval by the relevant Council Committee, where appropriate.
- 1.12 Where these Regulations refer to Executive Directors, this also includes the Chief Executive and the Chief Operating Officer. The Regulations also include the Chief Officer (Health & Social Care) in their capacity as Lead Officer the delivery of operational adult social care.
- 1.13 Nothing in these Regulations overrides any legal requirement placed on the Council, its elected members or employees.
- 1.14 Where these Regulations place a duty upon a Council employee, this may be delegated to another person with prior approval of the original delegate.
- 1.15 The following words and phrases used in these Regulations shall be defined as follows:

**ALEO**

These are Arm's Length External Organisation's such as Live Active Leisure.

**Accountable Budget Holder**

The Accountable Budget Holder is deemed to be the Executive Director of the Service concerned. Each Executive Director will provide a list of budget holders within their Service to the Head of Finance on a regular basis.

The term Budget Holder means someone who is responsible for an approved budget.

**Approved Budget**

Approved Council budget updated for any budgetary adjustments agreed at meetings of the Council or the Finance & Resources Committee.

**Budget Variance**

An over or under spend, compared to approved budget.

**Budget Heading**

- (i) For non-Devolved School Management (DSM) budgets – a budget on an individual line of the Council's current Revenue & Capital Budget Volumes, for example:

Corporate & Democratic Services / Finance / Staff Costs /  
Single Status / Gross Pay

- (ii) For Devolved School Management (DSM) and Pupil Equity Fund (PEF) budgets – a budget on an individual line of a school's DSM/ PEF expenditure monitoring statement', for example: Blackford Primary School/Property Costs/Energy Costs,

### **Capital Budget**

A budget heading given on an individual line of the Composite Capital Programme and Housing Investment Programme, for example: Roads Structural Maintenance.

### **Capital Expenditure**

Capital expenditure is defined as expenditure on the:

- (i) acquisition, reclamation, enhancement or laying out of land:
- (ii) acquisition, construction, preparation, enhancement or replacement of roads, buildings and other structures
- (iii) acquisition, installation or replacement of moveable or immovable plant, machinery, apparatus, vehicles and vessels.

Enhancement means the carrying out of works which are intended to:

- (i) lengthen substantially the useful life of the asset;
- (ii) increase substantially the market value of the asset;
- (iii) increase substantially the extent to which the asset can or will be used for the purposes of or in conjunction with the functions of the Council.

### **Corporate Budgets**

The Head of Finance is the Accountable Budget Holder for Corporate budgets with the exception of Health & Social Care which is the responsibility of the Chief Officer (Health & Social Care) and Discretionary Relief which is the responsibility of the Chief Operating Officer.

These budgets, as listed below, are generally outwith the control of Services.

- Health & Social Care (allocation to P&K Integration Joint Board)
- Support Service External Income,
- Capital Financing Costs,
- Interest on Revenue Balances,
- Tayside Valuation Joint Board,
- Trading Organisations – Surplus returned to General Fund,
- Un-funded Pension Costs,
- Apprenticeship Levy
- Council Tax Reduction Scheme
- Discretionary Relief,
- Contribution to / from Funds (Capital / Insurance Fund / Renewal & Repair Fund,
- General Revenue Grant,
- Ring Fenced Grant
- Capital Grant
- Non-Domestic Rate Income
- Council Tax Income
- Council Tax Second Home / Long Term Empty Properties
- Use of Budget Flexibility & Contribution to/from Reserves

### **Council**

Perth & Kinross Council and all constituent Committees in accordance with the Council's approved governance arrangements.

### **Head of Finance**

Where the Financial Regulations state "requires the Head of Finance approval" this means that approval must be sought from the Head of Finance or Chief Accountant.

### **Income**

For the purposes of Section 9 income includes local taxes, rents and miscellaneous accounts.

Miscellaneous Income refers to all income raised by the Council with the exception of Housing Rents, Council Tax, Non-Domestic Rates, and Car Parking.

### **Intelligent Clients**

Each Service has a member of its Service Management Team appointed as an Intelligent Client to oversee all financial operations and governance for Service. The Intelligent Clients act on behalf of the Head of Finance in terms of the day to day financial operation of the Service e.g. committee reports and



Employee Approval Process and are professionally accountable to the Head of Finance.

**Materiality**

Significance, in financial terms. The Head of Finance may, from time to time, specify the values to be applied.

CIPFA definition of materiality–

*Materiality is the threshold level above which the omission, addition or misstatement of an item would influence the decision of a user.*

**Set Off**

Set off is the process whereby debt due to the Council by an individual or a body may be reduced by amounts due to the same individual or body by the Council. This process allows the Council to reduce debts or debt balances due to it by sums that would normally have been paid to those debtors.

**Stock**

Raw materials and consumables.

**Suspense Account**

An account into which receipts are deposited temporarily pending the determination of a proper account/s where they should be posted.

**Trading Activity**

Those activities carried out in accordance with Sections 10 and 12 of the Local Government in Scotland Act (2003).

**Virement**

The transfer of an approved budget from one budget heading to another within a financial year (both permanent & one-off).

**ALEO's and Joint Boards**

- 1.16 The Council works closely with several ALEO's, Joint Boards and Committees. These organisations will operate their own Financial Regulations as determined by their governance arrangements. However, staff employed by Perth & Kinross Council must adhere to the Council's Financial Regulations.

**Perth & Kinross Integration Joint Board**

- 1.17 A joint working agreement has been established between NHS Tayside and Perth & Kinross Council. This agreement states that all employees working within integrated care services who were in employment prior to the commencement of health and social care

integration will continue to be employed by the same employer, as set out in their contract of employment. As such these financial regulations will apply to all staff employed by Perth & Kinross Council.

- 1.18 Beyond this there will be occasions where NHS Tayside staff are incurring expenditure on behalf of the Council on social care related activities. Under these circumstances the Financial Regulations of Perth & Kinross Council must be adhered to.

### **Perth & Kinross Charitable Funds**

- 1.19 The Council's Financial Regulations will apply to the activities of elected members and employees in respect of the Charitable Trusts and Other Funds.
- 1.20 The Head of Finance will maintain a register of all Charitable Trusts and submit annual returns to the Office of the Scottish Charity Regulator (OSCR).
- 1.21 The Head of Finance will be the financial advisor to the Trustees and may report on any issue relating to the financial position of any Fund.
- 1.22 The Head of Finance will be responsible for preparing the Connected Charities Accounts for the Charitable Trusts, and the Annual Accounts for the Charitable Trusts and Other Funds and will make appropriate arrangements for the audit of these accounts.
- 1.23 The Head of Finance will arrange the management of the investment portfolio with a suitable institution registered with the Financial Conduct Authority. The management of the investment portfolio is long term and will be procured in the event the incumbent fails to deliver an agreed level of objectives.
- 1.24 The Charitable Trusts and Other Funds will be within the scope of internal audit review.

## **2. FINANCIAL PLANNING**

- 2.1 This section applies to the preparation of budgets for capital and revenue expenditure.
- 2.2 Prior to the budget process, the Head of Finance may issue guidance to Executive Directors on the preparation of budgets, setting out a timetable and other provisions as appropriate. This will include the preparation of an annual Medium Term Financial Plan.
- 2.3 Executive Directors must prepare estimates in accordance with the guidance of the Head of Finance.
- 2.4 The Executive Leadership Team will consider estimates prior to their submission to the Council.
- 2.5 The Head of Finance will submit the draft budgets to the Council for its consideration and will make recommendations.
- 2.6 In relation to the Housing Revenue Account, the Head of Finance and the Executive Director (Communities) will prepare a draft budget and make recommendations regarding the level of rents.
- 2.7 The budget timetable and procedures must ensure that recommendations are submitted to the Council by whatever date may be required by law.

### **3. FINANCIAL MONITORING AND PERFORMANCE REVIEW**

#### **Budgetary Control**

- 3.1 Executive Directors must consult with the Head of Finance where any matter arises that may affect the finances of the Service / Council, including the projected failure to reach a financial performance target. This consultation must take place prior to entering into any financial commitment or issuing any report to the Council in connection with the matter under consultation.
- 3.2 The Head of Finance will provide Executive Directors with adequate access to the Council's corporate financial information systems, in such a manner as to allow them to monitor financial transactions against budget.
- 3.3 Executive Directors must make adequate arrangements to monitor the income and expenditure for which they are responsible. Within each Council Service, the responsibility for monitoring the use of resources against budget must be clearly identified and communicated to the Head of Finance.
- 3.4 Executive Directors must inform the Head of Finance where there is, or they forecast that there is likely to be, a material budgetary variance. Where this is the case, the Executive Director must inform the Head of Finance of the reasons for the budgetary variance and of any action being taken to correct the situation. Revenue monitoring will be considered by Executive Directors and their Service Management Teams at intervals of no more than 2 months. The Executive Leadership Team will consider revenue monitoring statements on a regular basis.
- 3.5 The Head of Finance will inform the Council regularly of the current financial position, reporting any material budgetary variances, giving an opinion on the adequacy of the corrective action being taken where appropriate and making other recommendations as appropriate. All variances (Revenue & Capital) more than £100,000 will be reported to the Finance & Resources Committee. However, there will be many instances whereby Committee reports will discuss variances that are less than this amount.
- 3.6 Where an under spend arises during a year, the Head of Finance may, after considering the views of the relevant Executive

Director, report to the Council, making recommendations as to the most appropriate use for these funds.

- 3.7 For the avoidance of doubt, the points discussed at 3.1 to 3.6 encompass both revenue and capital transactions.
- 3.8 In addition, the Head of Finance may issue guidance as appropriate to Executive Directors on the proper arrangements for planning, authorising and controlling capital transactions.

## **4. BUDGETARY ADJUSTMENTS**

### **General**

- 4.1 This section applies to proposed adjustments to any budget heading after its approval by the Council in either the Revenue or Capital Budget.
- 4.2 Budgetary adjustments will be made only in response to an authorised change in any Council activity. A budgetary adjustment must be made where the financial effects of any such change are material. Guidance on changes which are considered to be material may be issued by the Head of Finance.
- 4.3 Where a proposed budgetary adjustment has no overall effect on the planned net expenditure of the Council (i.e. there is a transfer from one heading to another), the regulations on virement apply (see Section 5).
- 4.4 Budgetary adjustments must not be made where they have the purpose of concealing or otherwise removing unplanned budgetary variances, whether adverse or favourable.
- 4.5 Where a proposed budgetary adjustment involves an increase in the budgeted net expenditure of the Council, the Head of Finance must be consulted prior to entering into any commitment or issuing any report. No such adjustment will be made unless approved by the Council.
- 4.6 In the case of a proposed budgetary adjustment that involves a reduction in the budgeted net expenditure of the Council, the Head of Finance must be consulted and may make a recommendation to the Council regarding the use of any released funds.
- 4.7 The Head of Finance has responsibility for advising Council on all matters relating to Reserves, no recommendation to change the use of Reserves including the Housing Revenue Account should be made without prior approval from the Head of Finance.
- 4.8 Where the Council or Finance & Resources Committee has previously agreed to the earmarking of Reserves, the application of this funding will be delegated to the Head of Finance. The Finance & Resources Committee will note the application retrospectively.

## **5. VIREMENT**

### **General**

- 5.1 The Head of Finance is authorised to make adjustments to management budgets (Revenue) that:
- do not result in an increase or reduction in the net expenditure of the Council, and
  - do not adjust Council policy.

### **Devolved School Management / Pupil Equity Fund**

- 5.2 This section applies to budget headings coming within the scope of the Devolved School Management (DSM) scheme and Pupil Equity Fund (PEF) and replaces the Regulation at 5.1 above.
- 5.3 Within a school's DSM / PEF budget, any virement may be made, subject to the approval of the Executive Director (Education & Children's Services) and within the terms of the Council's policy on Devolved School Management. The Head of Finance will be informed of all DSM virements in an approved manner.
- 5.4 The maximum under spend that may be carried forward is set at 2.5% of the devolved budget where the Council agrees to the funds being carried forward.
- 5.5 Where there is an under spend on PEF this may be carried forward to be utilised during the current academic year. Only in exceptional circumstances should the funding be carried forward beyond 30 June into the new academic year. In all cases, Scottish Government terms & conditions and guidance must be followed.
- 5.6 Planned over spends must be approved in writing by the Head of Business & Resources (ECS), prior to the expenditure being committed.
- 5.7 Any unplanned over spends will be investigated as soon as they are identified. Written confirmation should be sent to the Finance and Governance Manager within Education & Children's Services with a reason given for the unplanned over spend and a detailed plan of how this will be repaid. Finalised carry forwards must be agreed before inclusion in the new financial year budget.
- 5.8 Any unplanned under or over spend must be reflected in the Education & Children's Services revenue monitoring and approved by the Service Senior Management Team.

## **6. ACCOUNTING**

### **General**

- 6.1 Executive Directors must ensure that financial transactions initiated within their areas of responsibility are accounted for promptly, completely and accurately.
- 6.2 Suspense accounts must only be created or used with the approval of the Head of Finance. Executive Directors must ensure that suspense accounts are regularly checked and monitored and where appropriate reconciled.
- 6.3 Executive Directors must ensure that all transactions through the Capital Ledger are of a capital nature and comply with the definition of capital expenditure in Section 1.
- 6.4 All journal entries require authorisation. The Head of Finance may issue supplementary guidance on journal levels and processes.

### **Internal Control**

- 6.5 Executive Directors are responsible for the proper control of financial systems and procedures in their Service and are responsible for ensuring that there are sufficient internal controls to give reasonable assurance that they are functioning properly, having regard to the assessed risks.
- 6.6 In determining the appropriate arrangements within the area under their control Executive Directors must adhere to the following principles of internal control:
  - (i) The duty of accounting for monies owed to the Council should be separate from the duty of collecting this income.
  - (ii) The duty of accounting for payments made by the Council should be separate from the duty of processing these payments.
  - (iii) The duty of accounting for the assets held by the Council should be separate from the duty of physical custody of these assets.
- 6.7 All deviations from the above principles require documented approval of the Head of Finance.

### **Access to Financial Systems**

- 6.8 The Head of Finance will determine the extent of the authorised access that each Council employee has to the Council's Corporate Financial Systems and may issue additional guidance describing the authorisation process. The Head of Finance will maintain a register of all authorised users.



- 6.9 Executive Directors must ensure that changes to user access are maintained and that all leavers are notified to Finance timeously on the approved forms.
- 6.10 The Head of Finance has the right to terminate user access where it has been used inappropriately or where it has not been used for a considerable time. An annual return is issued to services to verify user requirements.

### **Retention of Records**

- 6.11 All accounting records and related documentation will be retained for the appropriate periods as specified by the Head of Finance and per the Council's Retention Schedule

### **Annual Accounts**

- 6.12 The Head of Finance is responsible for the production of the Annual Accounts, in accordance with the relevant regulatory requirements. Executive Directors must provide the Head of Finance with all information necessary to enable this to be achieved.

### **VAT**

- 6.13 Executive Directors must make adequate arrangements to ensure that Value Added Tax (VAT) is accounted for promptly and correctly within their areas of responsibility and that there is adequate supporting documentation.
- 6.14 The Head of Finance may provide additional guidance as necessary on the correct treatment of VAT.
- 6.15 The Head of Finance is responsible for the preparation and submission of whatever reports, relating to the Council's VAT position, may be required by law, and for the processing of any associated payments.

## **7. INTERNAL AUDIT**

### **General**

- 7.1 Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve the Council's operations. It helps the Council accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.
- 7.2 Internal Audit's role within the Council is as defined in the 'Audit Charter' as approved by the Audit & Risk Committee.
- 7.3 Internal Audit reports on its activities to Elected Members through the Audit & Risk Committee.
- 7.4 The Chief Internal Auditor will provide an Annual Internal Audit Plan to the Audit & Risk Committee for approval which has been prepared using a risk-based methodology. This will direct the work of the Internal Audit Team.
- 7.5 The Chief Internal Auditor will provide an annual opinion on the strength of internal control to the Audit & Risk Committee.

### **Fraud and Corruption**

- 7.6 The Chief Internal Auditor oversees the implementation of the Council's anti-fraud and anti-corruption policies, these are detailed in the following:
- Counter-Fraud and Corruption Strategy
  - Anti- Bribery Policy
  - Anti-Money Laundering Policy
  - Whistle-Blowing Policy

Which are published on the Internal Audit Eric page

These documents detail:

- (i) the responsibilities of elected members and employees in relation to suspected fraud and corruption.
- (ii) guidance to elected members, employees and the public on the actions to be taken in respect of suspected fraud or corruption.
- (iii) the role of Internal Audit in the prevention and detection of fraud and corruption.

- 7.7 The Chief Internal Auditor is to be informed immediately of any known or suspected instances of fraud and corruption.

## **8. BANK ACCOUNTS**

- 8.1 Executive Directors must seek the approval of the Head of Finance to open a bank account in the name of the Council. Only the Head of Finance is authorised to open and operate bank accounts and will maintain an up-to-date register of all Council bank accounts operated by the Council.
- 8.2 All such bank accounts must be used in the name of Perth & Kinross Council, giving the purpose for which they are to be used. In certain circumstances a joint bank account may be opened in the name of Perth & Kinross Council and other named organisations. These bank accounts still need approval by the Head of Finance and may be subject to further guidance.
- 8.3 Executive Directors must ensure that all bank accounts are reconciled regularly, in accordance with standards as determined by the Head of Finance.
- 8.4 All cheques or other instruments of payment will be ordered by the Head of Finance, who will determine the procedures for their custody and use.
- 8.5 The operation of credit card facilities or similar payment methods by the Council requires the prior approval of the Head of Finance, who may issue additional guidance on the procedures to be followed.
- 8.6 The Head of Finance will maintain a register of the authorised signatories for each bank account. Withdrawals may be made by the Head of Finance or by delegated employees of the Finance Division.
- 8.7 All cheques will be signed by an approved signatory. Cheques may not be altered in any way, other than on the instructions of the Head of Finance.
- 8.8 All use of the Clearing House Automated Payments System (CHAPS), the Bankers Automated Clearing System (BACS) or similar facilities will be in accordance with guidance which may be issued by the Head of Finance.
- 8.9 Only the Head of Finance may authorise an overdraft, the amount of which must be restricted to within the limit agreed with the Council's bank and will, in any case, be kept to the minimum necessary.

## **9. INCOME**

### **Setting Charges**

- 9.1 Executive Directors must review the levels of charges to the public that are or may be made in relation to activities under their control. All potential sources of income should be considered. This review must be carried out at least annually and the revised full 'Scheme of Charges' must be submitted to the Council for detailed consideration.
- 9.2 Executive Directors must ensure that income budgets are consistent with the approved charges, having regard to the expected demand for the goods and services in question.
- 9.3 All non-statutory remission (reduced charges) schemes require the approval of the Council. Executive Directors should review these schemes at the same time as the Scheme of Charges to which it relates. Executive Directors are responsible for maintaining sufficiently up-to-date and accurate data to enable remissions schemes to be operated correctly.
- 9.4 The Council has a minimum invoice value which is applicable to all miscellaneous income. The current level for the minimum invoice value is £19.99.
- 9.5 The Head of Finance will approve all exceptions where there is a requirement to raise invoices below the minimum invoice value.
- 9.6 The current approved charges for Council services must be imposed in every case, taking account of statutory remissions schemes or those approved under 9.1.3 above and the minimum invoice threshold set at 9.1.4 above. All other variations in the charges made require the approval of the relevant Council Committee.
- 9.7 Executive Directors will ensure that subject to the relevant Council policy on charging for goods and services, the full economic recovery of costs will generally be applied to all charges raised.

### **Income**

- 9.8 The Head of Finance will specify the accounting procedures, form of records and security relating to Council income, whether in cash, cheque or other form.
- 9.9 An approved receipt must be issued for each sum of money paid to the Council except with the prior agreement of the Head of Finance. A notice and specimen receipt must be available and wherever possible displayed at the point of payment, advising those paying to expect a receipt. Receipts must be numbered in sequence and must be retained for inspection in the manner required by the Head of Finance.

The Head of Finance may specify the arrangements made for the issue of receipts by Services.

- 9.10 Executive Directors will ensure that all tills and other money-handling arrangements in use within their Services are secure, both physically and in respect of the integrity of records. The Head of Finance may issue detailed guidance on the operation of cash tills/floats and other money handling systems.
- 9.11 The Head of Finance has authority to approve additional income streams and income collection locations this also includes online payments.
- 9.12 The Head of Finance is responsible for all debit and credit card transactions. Any income stream that accepts card payments must use a Payment Card Industry Data Security Standards compliant system. All card processing systems require approval of the Head of Finance and the Head of Legal and Governance Services.
- 9.13 The Head of Finance may issue supplementary guidance on the handling of cash including maximum cash balances and processes to deal with large volumes. However, in line with modern business practice, it is assumed that cash handling will be kept to a minimum.

### **Receipting**

- 9.14 All income must be timeously paid in full into the appropriate Council bank account, except where the approval of the Head of Finance has been given. The Head of Finance may specify the minimum frequency, in each case, at which income will be banked.
- 9.15 All transfers of money between Council employees will be recorded in a manner approved by the Head of Finance.
- 9.16 Under no circumstances will Council income be used to cash personal cheques, or for any purpose other than the proper course of Council business.

### **Invoicing and Debt Recovery**

- 9.17 The Council's preferred method of income recovery is to collect at or before the point of sale. Invoices will only be issued in cases where it is not practical, reasonable or economical for income to be collected at the time of ordering or supply of the goods or services concerned. The Head of Finance may, from time to time, direct that credit should not be extended to certain named individuals or bodies, or in particular circumstances.
- 9.18 Employees and elected members will be invoiced for all over payments in the absence of any salary mandates.

9.19 In no circumstances services, support or funding should be made available to a named individual or body who has an existing debt to the Council unless –

- there is a legal requirement to provide the service, support or funding; or
- the withholding of said service, support or funding may lead to extreme hardship, loss, injury or suffering of an individual.

Any exception to this requires Head of Finance approval

9.20 Executive Directors will be responsible for the prompt and accurate raising of invoices, including the correct treatment of VAT and the appropriate use of financial codes. The Head of Finance may issue detailed guidance on the raising of invoices.

9.21 The Head of Finance will be responsible for the prompt and accurate issue of Sales Ledger invoices and reminders, on the basis of the information produced by Executive Directors. Invoicing arrangements outside the direct control of Head of Finance will require their approval. The Head of Finance will determine the form and timing of any reminders.

9.22 All postal remittances will be received in accordance with arrangements approved by the Head of Finance, who may issue guidance on the appropriate arrangements for opening mail, accounting for and banking income. Each Service has their own internal guidelines for banking income which requires approval by the Head of Finance.

### **Non-payment, Write-offs and Credit Notes**

9.23 The Head of Finance will determine the most appropriate course of action in cases of non-payment, having considered the views of the relevant Executive Director. This may include the use of set off.

9.24 The Head of Finance will have the power to recommend that debts or unpaid rents be written off. No debt or unpaid rent shall be written off without the prior approval of the Finance & Resources Committee.

9.25 The Head of Finance will determine the most appropriate course of action in cases of the incorrect raising of charges. Only accounts raised incorrectly should be corrected by the raising of a credit note.

9.26 Any financial arrangement made by a Council Officer to repay a Council debt that the payment term exceeds 24 months requires approval from the Head of Finance.

### **Receipt of Grants**

- 9.27 Executive Directors will put in place arrangements to ensure that all grant applications submitted relate to the Council's objectives.
- 9.28 Executive Directors will be responsible for the prompt and accurate submission of all grant claims on behalf of the Council. The Head of Finance may issue further guidance on the procedures for the application for, and the receipt of, grants.
- 9.29 Executive Directors must ensure that any conditions attached to the grant must be complied with.



## **10. PETTY CASH ACCOUNTS**

- 10.1 Petty cash advances may be used for making small payments, or as a change float. The Head of Finance will specify an upper limit to the size of individual petty cash payments, or to the type of payments that can be made in this way.
- 10.2 Petty cash accounts will only be operated with the approval of the Head of Finance, who may specify the value of each float.
- 10.3 The Head of Finance will maintain a register of all petty cash accounts and holders of those accounts. Executive Directors will ensure that the number and size of petty cash accounts will be the minimum necessary to facilitate transactions. Executive Directors will regularly review the use made of petty cash within their Services and will inform the Head of Finance of any amendments that may be required.
- 10.4 Petty cash transactions will be recorded in a form approved by the Head of Finance. Executive Directors will ensure that petty cash payments are authorised in writing, in a manner approved by the Head of Finance. All petty cash expenditure will be supported by receipted vouchers.
- 10.5 Each petty cash account will be the responsibility of a nominated employee. Executive Directors will inform the Head of Finance of the names of all such employees within the area of their responsibility. A nominated employee will account for the use of the petty cash to the Head of Finance when required.
- 10.6 Petty cash will be kept in a credit balance at all times. Executive Directors will ensure that petty cash balances are checked by employees who are independent of the day to day operation of the account. This should be done each month, or at a frequency agreed with the Head of Finance. A record should be made of each inspection in a form acceptable to the Head of Finance. Any material discrepancy

should be reported to the relevant Executive Director, who will ensure that appropriate action is taken.

- 10.7 Where appropriate, the Head of Finance may open a bank account for use by a petty cash holder. Such an account may not be overdrawn at any time.
- 10.8 No Council income will be paid into a petty cash account or used for petty cash expenditure, without the approval of the Head of Finance.
- 10.9 Petty cash accounts will not be used for cashing personal cheques. No money will be removed from, or paid into a cash float, other than in the proper course of Council business.
- 10.10 The Head of Finance may issue additional guidance on procedures relating to the operation of petty cash accounts.

## **11. EXPENDITURE ON SUPPLIES, SERVICES AND WORKS**

### **Placing Orders**

- 11.1 In placing orders for supplies, services and works, Executive Directors will comply with the delegation and tendering procedures set out in the Council's Scheme of Administration and Contract Rules.
- 11.2 Executive Directors will ensure that all orders placed within their area of responsibility properly relate to the Council's activities and that resources are available from within the approved budget.
- 11.3 Where relevant, supplies, services and works will be ordered in accordance with the Council's:
  - Corporate Procurement Strategy
  - Contract Rules
  - Procurement Toolkit
  - Purchase Order Best Practice Guidelines
- 11.4 All contracts for goods or services should refer to the Council's standard terms and conditions most appropriate to the category of expenditure, selected from the following:
  - Conditions of contract for consultancy services (non-construction)
  - Conditions of contract for the provision of services
  - Conditions of contract for the purchase of goods
  - Conditions of contract for the provision of goods with a related service
  - Conditions of Contract for the provision of goods with a related service with income

- Conditions of contract supply of software and or software support
  - Conditions of contract for care services (children and adult's services)
- 11.5 Contracts for works should be agreed under a standard form of construction contract, e.g. those devised by the Institute of Civil Engineers (ICE i.e. NEC3, NEC4) or Joint Contracts Tribunal (SBCC contracts).
- 11.6 Where an appropriate contract exists with the Council or other approved Collaborative Purchasing Body; supplies, services and works should be ordered from the contracted suppliers.
- 11.7 All Council orders for the supply of goods, services and works must be raised on PECOS (Professional Electronic Commerce On-line System) or a relevant approved corporate system. An approved order will be issued to the supplier in all cases except where the payment provisions within the contract provide for a formal method of certification or other process whereby application is made for payment for the Council to thereafter assess.
- 11.8 All approved orders will be given to the supplier in writing in advance, except in the following cases:
- (i) Where the approval of the Head of Finance has been obtained;
  - (ii) In emergency situations, in which case an appropriate order will be issued by the close of business the next working day, marked as "Confirmation Order".
- 11.9 Executive Directors will put in place arrangements to ensure that all purchases are authorised by an appropriate person. All purchase orders will be authorised by an approved signatory.
- 11.10 The Head of Finance will specify the records to be kept in respect of purchasing or credit card transactions.
- 11.11 Executive Directors will maintain a register of employees authorised to approve purchases within their area of responsibility, specifying the delegation limits in each case. The Head of Finance will maintain a register of authorised persons and will require Executive Directors to provide such information in the prescribed format as necessary to ensure the authorised signatory database is kept up to date.
- 11.12 Executive Directors will ensure that all purchases made in their area of authority are charged to an appropriate accounting code within their area of responsibility.

## **Receipt of Supplies, Services and Works**

- 11.13 Executive Directors will put in place arrangements to ensure that the supplies, services and works ordered are received and are as ordered in terms of specification, price, quality, quantity and the time and place of delivery. The receipt of goods, services and works will be recorded in a manner acceptable to the Head of Finance.
- 11.14 Executive Directors will put in place procedures to ensure that all orders raised in PECOS are promptly receipted in PECOS in accordance with the relevant guidance.
- 11.15 Executive Directors will ensure that, where relevant, stock records and inventories are promptly updated in respect of goods received.

## **Payments**

- 11.16 Executive Directors will put in place arrangements to ensure that invoices are correct and authorised for payment by an appropriate person. The Head of Finance will maintain a register of authorised persons and will require Executive Directors to provide such information in the prescribed format as necessary to ensure the authorised signatory database is kept up to date.
- 11.17 Executive Directors will ensure that each payment is authorised only where:
  - (i) it relates to a properly authorised purchase by the Council;
  - (ii) the relevant goods, services or works have been received by the Council (subject to 11.3.4 below);
  - (iii) it is arithmetically correct, including any calculations relating to discounts, VAT, etc;
  - (iv) the payment value is in accordance with the authorised order, contract or purchasing card records;
  - (v) payment has not previously been made.
  - (vi) An acceptable VAT invoice is received and the correct rate of VAT is applied.
- 11.18 Executive Directors must ensure that all invoice payments are processed through the Purchase Ledger Module of Integra and must make reference to the appropriate purchase order number in the relevant field of Integra. Refer to Invoice Best Practice Guidelines. In

exceptional circumstances invoices can be processed through the banking system with prior approval from the Head of Finance.

- 11.19 The Head of Finance will process approved payments, subject to any further enquiries that are considered necessary including sight of invoice and backup documentation and specifically in regard to invoices/individual payments of £75,000 or over.
- 11.20 Payments may be made in advance or out with the appropriate credit terms only on approval from the Service's Intelligent Client (on behalf of the Head of Finance), the only exception being where there is specific prior committee approval. The Head of Finance may issue additional guidance on types of payment that may be made in this way and the procedure to be followed.
- 11.21 The Council's standard credit terms are 30 days following date of invoice. For clarity invoice dates should be on or after the date the relevant goods/supplies are received by the Council. The Head of Finance may issue additional guidance on the acceptability of credit terms for different categories / types of payment.
- 11.22 It will be the Intelligent Client who will ensure that any purchase made within their service by a credit card is valid and appropriate and the transaction is properly accounted for. The Intelligent Client should ensure periodic compliance checks are undertaken (as a minimum this must be completed annually).
- 11.23 All payment methods must be approved by the Head of Finance supplementary guidance may be issued.

### **Self-Directed Support**

- 11.24 Procedures have been prepared by the Chief Officer (Health & Social Care) to accommodate these changes. The procedures will be subject to the agreement and approval of the Head of Finance.

## **12. PAYROLL**

### **General**

- 12.1 The Corporate Human Resource Manager will be responsible for the prompt and accurate processing of salaries, expenses and related payments to employees and former employees of the Council, elected members and outside organisations. The Corporate Human Resource Manager will also be responsible for the processing of statutory and any other deductions from pay.
- 12.2 The Corporate Human Resource Manager will notify Executive Directors whenever any matter arises relating to conditions of service or pensions that may affect any such payments.
- 12.3 Executive Directors will provide the Corporate Human Resource Manager with sufficient information regarding employees and elected members within their area of responsibility to enable the correct payments to be made. It is the responsibility of the Head of Legal & Governance Services or designated individual to advise elected members on all matters arising from this section of these Regulations.
- 12.4 The Corporate Human Resource Manager may issue additional guidance on the submission of payroll input, specifying the form of each document, the timescale to be adhered to, and the required level of authorisation for employees and members.
- 12.5 Executive Directors will provide the Corporate Human Resource Manager with up to date specimen signatures of authorising employees in the prescribed format. The Corporate Human Resource Manager will maintain a database and ensure this is used to check the validity of all payroll documentation.
- 12.6 The Corporate Human Resource Manager will issue establishment lists to each Executive Director on a monthly basis. Should any variances be identified by services they will notify the Corporate Human Resource Manager.
- 12.7 Executive Directors will be responsible for the annual reconciliation of the above establishment lists.
- 12.8 All Services will reconcile the September establishment list and have this returned by 31 October each year.
- 12.9 The Head of Finance has a responsibility to maintain oversight of the payroll function and all related activities, reporting, by exception, to the Chief Executive.

### **Additional Payments/Deductions and Other Allowances**

- 12.10 The Corporate Human Resource Manager will be responsible for the prompt and accurate payment to employees, and elected members, of additional payments/deductions and other allowances such as the payment of travel, overtime, sickness, maternity, paternity, adoption and other allowances in accordance with statutory and Council policy requirements.
- 12.11 Executive Directors will be responsible for ensuring the prompt submission of accurate claims for processing, within their area of responsibility, in accordance with statutory and Council policy.
- 12.12 The Corporate Human Resource Manager will ensure that adequate procedures are in place for checking claims for additional payments/deductions and other allowances, to ensure compliance with statutory provisions and Council policy.
- 12.13 The Corporate Human Resource Manager will inform Executive Directors of any change to the approved allowances/deductions, or any other factor that may affect the payment/deductions made.
- 12.14 The Corporate Human Resource Manager will issue additional guidance on the submission of payroll input for additional payments/deductions and other allowances, specifying the form of each document, the process required, the timescale to be adhered to, and the required level of authorisation.
- 12.15 Executive Directors will inform the Corporate Human Resource Manager annually of all payments made on behalf of, (e.g. attendance at conferences, travel, accommodation) and income received from, elected members. Executive Directors should not make payments to, or reimburse elected members.

### **Overpayments**

- 12.16 Executive Directors will be responsible for ensuring Council procedures are followed for the recovery of all overpayments and are dealt with in accordance with Section 9.

### 13. TREASURY MANAGEMENT

- 13.1 The Head of Finance will be responsible for all decisions relating to treasury management.
- 13.2 The Council will create and maintain, as the cornerstones for effective treasury management:
- (i) a treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities.
  - (ii) suitable treasury management practices (TMPs), setting out the manner in which the organisation will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.
  - (iii) the content of the policy statement and TMPs will follow the recommendations of the Treasury Management in the Public Services Code of Practice, subject only to amendment where necessary to reflect the particular circumstances of this organisation. Such amendments will not result in the organisation materially deviating from the Code's key principles.
  - (iv) The Council will receive reports on its treasury management policies, practices and activities, including, as a minimum, an annual Investment & Treasury Strategy and plan in advance of the year, quarterly reviews and an annual report after its close, in the form prescribed in the TMPs.
  - (v) The Council is responsible for the implementation and regular monitoring of its treasury management policies and practices, and delegates the responsibility for the execution and administration of treasury management decisions to the Head of Finance, who will act in accordance with the organisation's policy statement, TMPs and the CIPFA Standard of Professional Practice on Treasury Management.
  - (vi) The Council is responsible for ensuring effective scrutiny of the treasury management strategy and policies.
  - (vii) The Head of Finance will maintain records of all borrowings and investments and will have custody of all documentation relating to stocks, bonds and mortgages.**
- 13.3 All investments of money will be in the name of the Council and be within lending limits approved by the Council.
- 13.4 Executive Directors will inform the Head of Finance of any exceptional cash flows relating to their area of responsibility that may have an



impact on the management of the Council's funds. The Head of Finance may issue additional guidance in this area.

- 13.5 The Head of Finance will set and monitor appropriate Prudential Indicators in respect of capital expenditure and treasury management, with particular regard to affordability, prudence and sustainability and will report all relevant matters which are required to be taken into account to the Council. In determining such matters, due regard will be given to asset management, stewardship and strategies and follow a full option appraisal of all alternative service methods.

## **14. INSURANCE AND FINANCIAL RISK MANAGEMENT**

- 14.1 The Head of Finance will be responsible for the appropriate provision of insurance cover.
- 14.2 The Head of Finance will assess the financial risks faced by the Council and will determine the most appropriate course of action in each case. In doing this, the Head of Finance will consult Executive Directors, who will provide whatever information may be necessary in order to enable this to be done. The Head of Finance will maintain a record of each financial risk area identified and evaluated.
- 14.3 The Head of Finance may issue detailed guidance giving advice on measures to reduce or eliminate any financial risks that may be identified.
- 14.4 Executive Directors will promptly inform the Head of Finance of any new financial risks within their area of responsibility that may come to light.
- 14.5 The Head of Finance will make the most appropriate insurance arrangements for each risk area, either through an external insurer, by means of an internal insurance fund or by self-insurance. The Head of Finance will report to the Council setting out the insurance arrangements in place.
- 14.6 The Head of Finance or appointed agent will negotiate all insurance claims. No admission of liability will be made by a Council employee in connection with any claim made by an outside body or individual. In each case, Executive Directors will provide the Head of Finance with a full report on the circumstances surrounding the insurance claim in accordance with whatever arrangements the Head of Finance may prescribe.
- 14.7 The Head of Finance may issue additional guidance on the processing of insurance claims.
- 14.8 Executive Directors will inform the Head of Finance of all circumstances that may have an impact on the Council's insurance cover, prior to entering into contractual agreements.
- 14.9 Executive Directors will inform the Head of Finance of any amendments / deletions of safes or other secure containers.
- 14.10 Executive Directors will be responsible for ensuring all individuals, consultants, suppliers and contractors that are employed, engaged or contracted by the Council are covered by the appropriate level and types of insurance. The Head of Finance may issue guidance on appropriate insurance arrangements.

## **15. SECURITY**

- 15.1 Executive Directors will be responsible for the maintenance of buildings under their control and safe custody of buildings, vehicles, stores, equipment, cash, financial stationery, Council records and any other asset under their control.
- 15.2 The Head of Finance will be responsible for the security of cheque stationery and other related financial documents in the custody of the Corporate & Democratic Services.
- 15.3 Executive Directors will inform the Head of Finance of all circumstances in which cash is held by Council employees under their direction. The Head of Finance may specify a maximum limit to any such holdings, and this will not be exceeded.
- 15.4 In all cases where Council employees may receive cash or other assets from outside bodies or individuals, Executive Directors will issue personal identification cards showing a photograph of the holder. Such Council employees will identify themselves whenever reasonably required to do so.
- 15.5 Executive Directors will nominate individuals to be responsible for the security of each safe or secure storage area. All keys to safes / lock-fast cupboards should at all times be kept in a secure location / manner acceptable to Executive Directors and the Head of Finance. There should be adequate arrangements for the transfer of this responsibility at times of absence.
- 15.6 Spare keys should always be kept, in a secure manner acceptable to the Head of Finance. Any loss of keys will be reported to the Head of Finance, who may issue advice on the action to be taken.

## **16. PHYSICAL ASSETS**

### **Land, Buildings and Infrastructure**

- 16.1 The Executive Director (Communities) will maintain a register of all land, buildings and infrastructure owned by the Council, including dwellings provided under the Housing Acts.
- 16.2 The Executive Director (Communities) must give prior authorisation to all changes to the Council's property estate. Changes to the estate are defined as; acquisitions, new builds, disposals, leasing-in, leasing-out, demolitions and vacating premises through staff movement.
- 16.3 The Head of Legal and Governance Services will be responsible for the custody of all Title Deeds.
- 16.4 The Head of Corporate IT & Revenues will be responsible for maintaining asset inventories of IT hardware.
- 16.5 Executive Directors will be responsible for the maintenance of buildings under their control and for the custody of all other physical assets including furniture, fittings and equipment within their service.

### **Vehicles**

- 16.6 The Executive Director (Communities) will be responsible for the management of all the Council's vehicles which require an Operator's Licence and will maintain an inventory of such vehicles and may require other Executive Directors to provide such information as is necessary to enable this to be done.
- 16.7 The Executive Director (Communities) will be responsible for the maintenance of all such vehicles as are mentioned in 16.2.1 and for all legal requirements relating to the ownership of the Council's vehicles.
- 16.8 The use of all Council vehicles will be recorded in a manner approved by the Executive Director (Housing & Environment).

### **Stocks**

- 16.9 Executive Directors will be responsible for stocks of material in their control. Stocks will be maintained at an efficient level, having regard to such factors as purchase price, the rate and regularity of issue and storage costs.
- 16.10 Executive Directors will maintain up to date stock records, in a manner approved by the Head of Finance.
- 16.11 Executive Directors will ensure that stocks are checked by employees who are independent of the normal stock recording process. This

should be done at least annually at 31 March of each year. A record will be made of each inspection, in a form acceptable to the Head of Finance. Any material discrepancy will be reported to the Head of Finance, who will determine the most appropriate course of action.

- 16.12 Executive Directors may issue detailed guidance on the procedures for year-end stocktaking within their own Services.
- 16.13 Exceptions from undertaking year-end stocktaking can be granted on the basis of materiality at the discretion of the Head of Finance.

### **Disposal of Surpluses**

- 16.14 Executive Directors will identify surplus or unused items under their control. In these cases, reasonable attempts will be made to find an alternative use within the Council.
- 16.15 Where no such alternative use is found the items will be disposed of, in accordance with arrangements approved by the Executive Director concerned.

### **Use of Council Property**

- 16.16 Council property will not be removed from Council premises or used other than for the proper purposes of Council business, except with the permission of the relevant Executive Director.
- 16.17 Where no such alternative use is found the items will be disposed of, in accordance with arrangements approved by the Executive Director concerned that secure best value for the Council.

## **17. COMMON GOOD FUNDS**

- 17.1 The Council's Financial Regulations will apply to the activities of Council members and employees in respect of Common Good Funds.
- 17.2 The Head of Finance will maintain a register of all Common Good Funds.
- 17.3 The Executive Director (Communities) has authority to authorise expenditure from the approved Common Good budgets.
- 17.4 The Head of Finance will be the financial advisor to the Common Good Fund Committees and may report on any issue relating to the financial position of any Fund.
- 17.5 The Head of Finance will determine, prior to the commencement of each financial year, the amount of, and period over which, any fixed deposits within the Council's Loans Fund are made for each Common Good Fund.
- 17.6 The Head of Finance will be responsible for preparing the Annual Accounts of the Common Good Funds, and will make appropriate arrangements for the audit of these accounts.
- 17.7 The Common Good Funds will be within the scope of internal audit review.

## **18. SCHOOL FUNDS, COMFORT FUNDS AND PRIVATE PROPERTY**

- 18.1 This section applies to School Funds, Comfort Funds and others of a similar nature that are managed by the Council or its employees in the course of their duties. These unofficial funds can be defined as any fund other than official Council funds operated in the name of Perth & Kinross Council. Executive Directors are authorised to open and operate School Funds and Comfort Funds bank accounts.
- 18.2 Executive Directors will maintain an up to date register of all School Funds, Comfort Funds and private property held within their Service and will provide such information to the Head of Finance as required.
- 18.3 School Funds and Comfort Funds will be the responsibility of a named employee, who will be responsible for the funds and will be accountable to the Council for its administration.
- 18.4 Executive Directors are authorised to open and operate School Funds and Comfort Funds bank accounts and will maintain an up to date register of all accounts registered by their Service.
- 18.5 All accounts for School Funds, Comfort Funds will bear the name of the establishment to which they relate, along with their purpose.
- 18.6 Executive Directors must ensure that all bank accounts are reconciled on a monthly basis.
- 18.7 All transactions will require the approval of two authorised signatories. Executive Directors will put in place adequate arrangements for nominating authorised signatories, who will require the approval of the relevant senior officer. Any departures from this requirement will require the approval of the Head of Finance.
- 18.8 Executive Directors will ensure that Annual Accounts are produced for any fund under their control, and that these are independently audited / examined (as appropriate) by a suitable person. The Head of Finance may make directions as to the form of accounts or the arrangements for audit.
- 18.9 The regulations described in Section 7 - Internal Audit, will apply to voluntary and unofficial funds.
- 18.10 In certain circumstance the Council will manage client funds for individuals either through Social Work Appointee, Access to Funds or both. Procedures have been prepared in line with legislation and Department for Work & Pensions and Office of Public Guardian. The procedures will be subject to the agreement and approval of the Head of Finance.

## **19. FEES, GIFTS AND HOSPITALITY**

### **General**

- 19.1 These regulations should be read in conjunction with the Gifts and Hospitality Policy and Procedures, the Employee Code of Conduct and the Elected Members Code of Conduct or such further guidance that may be issued.
- 19.2 Executive Directors will put in place proper arrangements to ensure that no decision taken within an area under their control is improperly influenced by any benefit received (by a person representing the Council) from any outside individual or body. These arrangements will be subject to the approval of the Head of Finance.