

## PERTH AND KINROSS COUNCIL

## Council Meeting – 19 December 2012

## Biennial Review of Financial Regulations 2012

## Report by the Head of Finance

**ABSTRACT**

This report summarises the background and the process undertaken to review the Council's Financial Regulations and recommends approval of the revised Financial Regulations as appended.

**1. RECOMMENDATION**

The Council is asked to approve the Council's Financial Regulations attached at Appendix 1.

**2. BACKGROUND**

The Council's Financial Regulations are reviewed every two years. Formal approval was given to the current Financial Regulations by Council on 15 December 2010 (report 10/365 refers).

The 2012 review used the current approved Financial Regulations as a baseline.

The Financial Regulations were reviewed over the last six months by Internal Audit, the Policy & Governance Group, Corporate Management Group and the Executive Officer Team. In addition further feedback from officers involved in the creation of Service based Operational Financial Regulations (OFR's) was provided.

**3. CONSULTATION**

The Chief Executive, Executive Directors, Heads of Service and Financial Controllers have been consulted in the preparation of this report.

**4. RESOURCE IMPLICATIONS**

There are no direct financial implications arising from this report.

**5. COUNCIL CORPORATE PLAN OBJECTIVES 2009-2012**

The Council's Corporate Plan 2009-2012 lays out five Objectives which provide clear strategic direction, inform decisions at a corporate and service level and shape resources allocation. They are as follows:-

- (i) A Safe, Secure and Welcoming Environment
- (ii) Healthy, Caring Communities
- (iii) A Prosperous, Sustainable and Inclusive Economy
- (iv) Educated, Responsible and Informed Citizens
- (v) Confident, Active and Inclusive Communities

The Chief Executive's Service supports the work of the whole Council by assisting them in the delivery of the Council's Corporate Objectives. As a consequence, this report does not specifically relate to one of the objectives, but assists with the delivery of all five.

## 6. EQUALITIES ASSESSMENT

This report was considered under the Corporate Equalities Assessment Framework and the determination was made that the attached Financial Regulations do not require further assessment as they do not have an impact on people's wellbeing.

## 7. STRATEGIC ENVIRONMENTAL ASSESSMENT

The regulations presented in this report were considered under the Environmental Assessment (Scotland) Act 2005 and the determination was made that the items summarised in this report do not require further action as they do not qualify as a plan, programme or strategy as defined by the Act.

## 8. CONCLUSION

This report outlines the biennial review of the Council's Financial Regulations. It recommends that the Financial Regulations are approved by the Council.

John Symon  
Head of Finance

### APPENDIX

### Revised Financial Regulations Version 5.8

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#### Date:

22 November 2012

If you or someone you know would like a copy of this document in another language or format, (on occasion only, a summary of the document will be provided in translation), this can be arranged by contacting *(Sheena Scott)*



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# Perth and Kinross Council

## Financial Regulations

### 2012

Head of Finance

2012

Version 5.8

#### Version control

5.0	22/09/10	Issued for Initial Consultation
5.1	01/05/12	Working Party
5.2	28/05/12	Policy & Governance Group
5.3	11/06/12	Corporate Management Group
5.4	27/07/12	FDMT
5.5	20/08/12	Financial Controllers
5.6	28/08/12	Corporate Management Group
5.7	02/10/12	Executive Officer Team
5.8	12/12/12	Council

## **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 accounts and supporting records to be maintained. It also imposes a duty that the proper officer ensures that these accounts and records are kept up-to-date. I am the Proper Officer appointed for the purposes of Section 95 by Perth and Kinross Council and these Regulations exist in order to contribute to the fulfilment of the statutory responsibilities set out above.

In particular these Regulations are made in order to provide a sound basis for the control of Perth and 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 “Local Code of Corporate Governance”;
- (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.

I have attempted to set out these Regulations in such a way that they are easy to understand and easy to follow, and where possible expressing the Regulations in “plain English”. I also hope that the Regulations strike an appropriate balance between Service autonomy and central control. As always, I welcome any suggestions that will improve the Financial Regulations and their practical application.

**J Symon**

**Head of Finance**

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## **1. INTRODUCTION**

### **1.1 General**

- 1.1.1 The purpose of these Regulations is to provide a sound basis for the control of the financial affairs of the Council.
- 1.1.2 All employees must comply with these Regulations regarding any matter to which these Regulations apply. These Regulations also apply to any Council resources in any partnership project.
- 1.1.3 It is the responsibility of Executive Directors to ensure that the Regulations are complied with in their Services and that their employees are fully aware of them.
- 1.1.4 It is the responsibility of the Head of Finance to ensure that –
- (a) Members are aware of the Regulations;
  - (b) The Regulations are observed throughout the Council; and
  - (c) The Regulations are reviewed on a bi-ennial basis to ensure that they are effective.
- 1.1.5 The Head of Finance may issue guidance on any matter contained within these Regulations. Such guidance shall have the same force and authority as these Regulations. Executive Directors 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 Executive Directors to be modified or withdrawn.
- 1.1.6 Any material breach of these Regulations must be reported to the Head of Finance, who will determine the appropriate course of action.
- 1.1.7 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.
- 1.1.8 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.
- 1.1.9 Executive Directors are authorised to incur expenditure where an approved budget heading exists or there is Council approval. All expenditure is subject to the terms of the Council's Scheme of Administration and any other conditions imposed by the Council.

## **1.2 Definitions and Interpretations**

- 1.2.1 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.
- 1.2.2 Where these Regulations refer to approval by the Council this includes approval by the relevant Council Committee, where appropriate.
- 1.2.3 Where these Regulations refer to Executive Directors, this also includes the Chief Executive.
- 1.2.4 Nothing in these Regulations overrides any legal requirement placed on the Council, its Members or employees.
- 1.2.5 Where these Regulations place a duty upon a Council employee, this may be delegated to another person under authority.
- 1.2.6 The following words and phrases used in these Regulations shall be defined as follows:

### **Approved Budget**

Approved Council budget updated for any budgetary adjustments agreed at meetings of the Strategic Policy and Resources Committee.

### **Accountable Budget Holder**

The Accountable Budget Holder is deemed to be the Executive Director of the Service concerned. The Chief Executive is taken to be the Accountable Budget holder for the Chief Executive's Service. Each Executive Director will provide and update regularly, a list of approved budget holders in their Service to the Head of Finance.

### **Budget Variance**

An over or underspend, compared to budget.

### **Budget Heading**

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

Community Care-Older People / Single Status / Gross Pay, or whatever alternative definition the Head of Finance may apply from time to time.



- (ii) For DSM budgets (5.2) – a budget given on an individual line of a school's DSM Expenditure Monitoring Statement', for example:  
Blackford Primary School/Property Costs/Energy Costs,  
Or whatever alternative definition may be agreed  
between the Executive Director (Education and Children's Services) and the Head of Finance from time to time.

### **Capital Budget**

A budget 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.

For the avoidance of doubt –

- (i) Expenditure which ensures that the tangible fixed asset maintains its previously assessed standard of performance is not capital expenditure. This type of expenditure is often referred to as "repairs and maintenance".
- (ii) Payments to 3<sup>rd</sup> Parties to fund their capital expenditure is not Capital in terms of the Council.

**Corporate budgets:**

Support Service External Income,  
Capital Financing Costs,  
Interest on Revenue Balances,  
Police Joint Board,  
Fire Joint Board,  
Valuation Joint Board,  
Trading Organisations – Surplus returned to General Fund,  
Un-funded Pension Costs,  
Provision for Contingencies,  
Discretionary Relief,  
Contribution to / from Funds,  
Revenue Support Grant,  
Capital Grant  
Non-Domestic Rate Income,  
Council Tax Income,  
Use of Budget Flexibility & Contribution to/from Reserves

**Council**

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

**Income**

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

**Materiality**

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

**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) as at 1 April 2012, the Council had no significant trading operations.

**Virement**

The transfer of an approved budgetary provision from one budget heading to another within a financial year.

### **Miscellaneous Income**

All income raised by the Council with the exception of Housing Rents, Council Tax, Non Domestic Rates, Community Charge and Car Parking.

### **Set Off**

Offset is the process whereby debt due to the Council by a legal body may be reduced by amounts due to that same 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 through a creditors system in respect of invoice payments or grants.

## **2. FINANCIAL PLANNING**

- 2.1.1 This section applies to the preparation of budgets for capital and revenue expenditure.
- 2.1.2 Prior to the start of each financial year, the Head of Finance will issue detailed guidance to Executive Directors on the preparation of budgets, setting out a timetable and other provisions as appropriate.
- 2.1.3 Executive Directors must prepare estimates in accordance with the guidance of the Head of Finance and Executive Director (Housing and Community Care).
- 2.1.4 The Executive Officer Team will consider estimates prior to their submission to the Council.
- 2.1.5 The Head of Finance will submit the draft budgets to the Council for its consideration, and will make recommendations regarding its acceptance.
- 2.1.6 The Executive Director (Housing and Community Care) and Head of Finance will, on the basis of the draft budget, make recommendations regarding the level of rents and taxation respectively. The budget timetable and procedures must be such as to ensure that these recommendations are submitted to the Council by whatever date may be required by law.

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

### **3.1 Budgetary Control**

- 3.1.1 Executive Directors must consult with the Head of Finance where any matter arises that may affect the finances of the Council, including the forecast failure to reach a financial

performance target required by law. 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.

- 3.1.2 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.
- 3.1.3 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. The Revenue & Capital Monitoring Guidance defines what "adequate arrangements" are.
- 3.1.4 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 the action being taken to correct the situation. The Revenue Monitoring Guidance defines what "adequate arrangements" are. Revenue monitoring will be considered by Executive Directors and their Service Management team at an interval of no less than 2 months. The EOT will consider revenue monitoring statements on a regular basis.
- 3.1.5 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 and making other recommendations as appropriate.
- 3.1.6 Where an underspend (or over-recovery of income) 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.
- 3.1.7 For the avoidance of doubt the points discussed above (3.1.1 to 3.1.6 encompass both revenue and capital transactions.
- 3.1.8 In addition the Head of Finance will issue guidance as appropriate to Executive Directors on the proper arrangements for planning, authorising and controlling capital transactions.

## **4. BUDGETARY ADJUSTMENTS**

### **4.1 General**

- 4.1.1 This section applies to proposed amendments to any budget heading after its approval by the Council in both the Revenue and Capital Budget Volumes.
- 4.1.2 Budgetary adjustments will be made only in response to a planned and 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.
- 4.1.3 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).
- 4.1.4 Budgetary adjustments must not be made where they have the purpose of concealing or otherwise removing unplanned budgetary variances, whether adverse or favourable.
- 4.1.5 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.
- 4.1.6 In the case of a proposed budgetary adjustment that involves a decrease 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.
- 4.1.7 In the case of the use of 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.

### **4.2 Trading Activities**

- 4.2.1 In the case of budget headings relating to an activity for which a statutory trading account is operated, the responsible Executive Directors may vary the budgets relating to those activities, in order to reflect a change in the level of trading activity. Executive Directors will ensure that neither the Council's

budgetary position, nor any statutory measure of performance, is adversely affected by any such action.

As at 1 April 2012, the Council had no significant trading operations.

## **5. VIREMENT**

### **5.1 General**

5.1.1 Executive Directors may, subject to the conditions in this Clause, authorise virements between budget heads (Revenue and Capital Budget) under their control up to a maximum of £100,000. This Regulation applies in respect of any single virement or cumulatively to successive virements in respect of any one budget heading. Any virement above £100,000 shall be notified to the Head of Finance. The conditions referred to in this Regulation are as follows:-

- (i) No variation of Council policy may be introduced by means of virement;
- (ii) No virement shall adversely affect the financial position of another Council Service, without the prior approval of all relevant Executive Directors.

5.1.2 Any proposed virement in excess of £100,000 or any proposed virements between Council services or between Council service budgets and corporate budgets will require the approval of the Strategic Policy and Resources Committee. Any report seeking such approval will be submitted by the Head of Finance.

5.1.3 Virement proposals must be submitted in a form approved by the Head of Finance.

### **5.2 Devolved School Management**

5.2.1 This section applies to virements between budget headings coming within the scope of the Devolved School Management (DSM) scheme. In these cases, it replaces the Regulation 5.1 General.

5.2.2 Within a school's DSM budget, any virement may be made, subject to the approval of the Executive Director (Education and 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.

- 5.2.3 Where there is a planned underspend of the school's devolved budget for any financial year and this does not exceed 10% of the total budget, it may be carried forward to the next financial year. The Head Teacher must notify the Executive Director (Education and Children's Services) of the best available estimate of any such underspend no later than six weeks prior to the end of the financial year.
- 5.2.4 A planned overspend in the school's devolved budget must be approved, in writing, by the Executive Director (Education and Children's Services) prior to expenditure being committed to. Any overspend will be deducted from the school's devolved budget for the following financial year. Where such an overspend is material, an explanation will be required. The Service will investigate and address exceptional circumstances as appropriate.

## **6. ACCOUNTING**

### **6.1 General**

- 6.1.1 Executive Directors must ensure that financial transactions initiated within their areas of responsibility are accounted for promptly, completely and accurately.
- 6.1.2 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.
- 6.1.3 Executive Directors must ensure that all transactions through the Capital Ledger are of a capital nature and comply with the definition of capital expenditure at Section 1.2.6.

### **6.2 Internal Control**

- 6.2.1 Executive Directors are responsible for the proper control of financial systems and procedures in their area of responsibility. All such activities must be characterised by sufficient internal controls to give reasonable assurance that they are functioning properly, having regard to the assessed risks.
- 6.2.2 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.

6.2.3 All deviations from the above principles require the approval of the Head of Finance.

### **6.3 Access to Financial Systems**

6.3.1 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 will issue additional guidance describing the authorisation process. The Head of Finance will maintain a register of all authorised users.

6.3.2 Executive Directors must ensure that changes to user access are maintained and that all leavers are notified to Finance timeously on the approved forms.

6.3.3 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.

### **6.4 Retention of Records**

6.4.1 All accounting records and related documentation will be retained for the appropriate periods as specified by the Head of Finance.

### **6.5 Annual Financial Reports**

6.5.1 The Head of Finance is responsible for the production of annual financial statements, 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.



## **6.6 VAT**

- 6.6.1 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.
- 6.6.2 The Head of Finance will provide additional guidance as necessary on the correct treatment of VAT.
- 6.6.3 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**

### **7.1. General**

- 7.1.1 Internal Audit is an assurance function that provides an independent and objective opinion to the organisation on the control environment, by evaluating its effectiveness in achieving the organisations objectives. 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.
- 7.1.2 Internal Audit's role within the Council is as defined in the 'Terms of Reference' as approved by the appropriate Council Committee.
- 7.1.3 Internal Audit reports on its activities to Elected Members through the appropriate Council Committee.
- 7.1.4 The Chief Internal Auditor will provide an Annual Internal Audit Plan to the appropriate Council Committee for approval which has been prepared using a risk-based methodology. This will direct the work of the Internal Audit team.
- 7.1.5 The Chief Internal Auditor will provide an annual opinion on the strength of internal control to the appropriate Council Committee.

## **7.2 Fraud and Corruption**

7.2.1 The Chief Internal Auditor oversees the implementation of the Council's anti-fraud and anti-corruption policies, which can be found at

Policy

Reporting Concerns

These documents detail:

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

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

## **8. BANK ACCOUNTS**

8.1.1 The Head of Finance is authorised to open and operate bank accounts as necessary, and will maintain an up-to-date register of all accounts operated by the Council. Council bank accounts may be opened only with the approval of the Head of Finance. Guidance is available.

8.1.2 All such bank accounts must be used in the name of Perth and Kinross Council, giving the purpose for which they are to be used.

8.1.3 Executive Directors must ensure that all bank accounts are reconciled regularly, in accordance with standards determined by the Head of Finance.

8.1.4 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.

8.1.5 The operation of credit card facilities or similar payment methods by the Council requires the prior approval of the Head of Finance, who will issue additional guidance on the procedures to be followed.

- 8.1.6 The Head of Finance will maintain a register of the authorised signatories for each bank account. Withdrawals may only be made by the Head of Finance or by such other employees that may be approved.
- 8.1.7 All cheques will be signed by the Head of Finance, or by an approved signatory. Cheques may not be altered in any way, other than on the instructions of the Head of Finance.
- 8.1.8 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 issued by the Head of Finance.
- 8.1.9 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**

### **9.1 Setting Charges**

- 9.1.1 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 'Scheme of Charges' must be submitted to the relevant Council Committee for detailed consideration.
- 9.1.2 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.
- 9.1.3 All non-statutory remission (reduced charges) schemes require the approval of the relevant Council Committee. 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.
- 9.1.4 The Council has a Minimum Invoice Value which is applicable to all Miscellaneous Income with the exception of car parking income. The current level for the Minimum Invoice Value is £19.99 exclusive of any VAT. Executive Directors must ensure that invoices are only raised for values above £19.99 exclusive of any VAT that may be chargeable.

Transitional arrangements will be permitted to 31<sup>st</sup> March 2014, to allow sufficient time for Executive Directors to update charging policies, change income recovery procedures and consolidate billing activity as appropriate to accommodate this policy.

The Head of Finance will approve all exceptions where there is a legal requirement to raise invoices below the minimum invoice value.

- 9.1.5 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.

## **9.2 Cash Income**

- 9.2.1 The Head of Finance will specify the accounting procedures and form of records relating to Council income, whether in cash, cheques or in other form.

- 9.2.2 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 will specify the arrangements made for the issue of receipts to Services.

- 9.2.3 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.

## **9.3 Receipting**

- 9.3.1 All income must be timeously paid intact 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.

9.3.2 All transfers of money between Council employees will be recorded in a manner approved by the Head of Finance.

9.3.3 Under no circumstances will Council income be used to cash personal cheques, or for any purpose other than the proper course of Council business.

#### **9.4 Invoicing and Debt Recovery**

9.4.1 The Council's preferred method of income recovery is to collect at or before 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.

Employees and elected members will be invoiced for all overpayments in the absence of any salary mandates.

Executive Directors will ensure that subject to the relevant Council policy on charging for goods and services, the full economic recovery of costs will be applied to all charges raised

9.4.2 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 will issue detailed guidance on the raising of invoices.

9.4.3 The Head of Finance will be responsible for the prompt and accurate issue of 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 his approval. The Head of Finance will determine the form and timing of any reminders.

9.4.4 All postal remittances will be received in accordance with arrangements approved by the Head of Finance, who will issue guidance on the appropriate arrangements for opening mail, accounting for and banking income.

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

9.5.1 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.

9.5.2 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 Council.

9.5.3 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.

## **9.6 The Receipt of Grants**

9.6.1 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.

## **10. PETTY CASH ACCOUNTS**

10.1.1 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.

10.1.2 Petty cash accounts will only be operated with the approval of the Head of Finance, who may specify the value of each float.

10.1.3 The Head of Finance will maintain a register of all petty cash accounts and holders of those accounts (see 10.1.5). 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.

10.1.4 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.

10.1.5 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.

- 10.1.6 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.
- 10.1.7 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.
- 10.1.8 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.
- 10.1.9 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.
- 10.1.10 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**

### **11.1 Placing Orders**

- 11.1.1 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.
- 11.1.2 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.
- 11.1.3 Where relevant, supplies, services and works will be ordered in accordance with the Council's:

Corporate Procurement Strategy

Contract Rules

Contracts and Procurement Guidance

Conditions of Purchase (Please refer to appropriate type)

Purchase Order Best Practice Guidelines

- 11.1.4 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.
- 11.1.5 All Council orders for the supply of goods, services and works should be raised on PECOS or a relevant approved corporate system. An approved order will be issued to the supplier in all cases, except for the following:
- (i) where regular payments are made (as in the case of rates or utilities), in the case of the second and subsequent supply;
  - (ii) where payment is made through an imprest account (Section 10);
  - (iii) in the case of contracts awarded on the basis of formal contract documents;
  - (iv) in other cases, with the approval of the Head of Finance.
- 11.1.6 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".
- 11.1.7 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.
- 11.1.8 The Head of Finance will specify the records to be kept in respect of purchasing or credit card transactions.
- 11.1.9 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.
- 11.1.10 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.



- 11.1.11 Executive Directors will not enter into any lease agreement without the approval of the Head of Finance. The Head of Finance may issue additional guidance on this subject.

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

- 11.2.1 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, 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. Executive Directors are required to ensure that the duty of receiving supplies should be separate from the duty of placing orders; exceptions to this arrangement will require the approval of the Head of Finance.

- 11.2.2 Executive Directors will put in place procedures to ensure that all orders raised in PECOS (Professional Electronic Commerce On-line System) are goods receipted in PECOS in accordance with the relevant guidance.

- 11.2.3 Executive Directors will ensure that, where relevant, stocks and inventories are promptly updated in respect of goods received.

## **11.3 Payments**

- 11.3.1 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.

- 11.3.2 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.

- 11.3.3 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.
- 11.3.4 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.
- 11.3.5 Payments may be made in advance only at the discretion of the Head of Finance. The Head of Finance may issue additional guidance on types of payment that may be made in this way.
- 11.3.6 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. Any proposal to apply non-standard credit terms requires the approval of the Head of Finance.

## **12. PAYROLL**

### **12.1 General**

- 12.1.1 The Head of Finance 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 Head of Finance will also be responsible for the processing of statutory and any other deductions from pay.
- 12.1.2 The Head of Finance will notify Executive Directors whenever any matter arises relating to conditions of service or pensions that may affect any such payments.
- 12.1.3 Executive Directors will provide the Head of Finance with sufficient information regarding employees and members within their area of responsibility to enable the correct payments to be made. It is the responsibility of the Head of Democratic Services to advise elected members on all matters arising from this section of these Regulations.
- 12.1.4 The Head of Finance will 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.

- 12.1.5 Executive Directors will provide the Head of Finance with up to date specimen signatures of authorising employees in the prescribed format. The Head of Finance will maintain a database and ensure this is used to check the validity of all payroll documentation.
- 12.1.6 The Head of Finance will issue establishment lists to each Executive Director on a 6 monthly basis. Executive Directors will be responsible for ensuring the accuracy of the content and the prompt return of any corrections of those establishment lists to the Head of Finance.
- 12.1.7 Executive Directors will be responsible for the reconciliation of the above establishment lists and service Budgets at 31 March each year.

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

- 12.2.1 The Head of Finance 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.
- 12.2.2 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.
- 12.2.3 The Head of Finance will ensure that adequate procedures are in place for checking claims for additional payments/deductions and other allowances, to ensure compliance with statutory and Council policy.
- 12.2.4 The Head of Finance will inform Executive Directors of any change to the approved allowances/deductions, or any other factor that may affect the payment/deductions made.
- 12.2.5 The Head of Finance 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.
- 12.2.6 Executive Directors will inform the Head of Finance 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 elected members..

12.3           **Overpayments**

- 12.3.1       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 9.4.1.

**13.           TREASURY MANAGEMENT**

- 13.1.1       The Head of Finance will be responsible for all decisions relating to the management of the Council's funds.

- 13.1.2       The full Council will create and maintain, as the cornerstones for effective treasury management:

- a treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities.

- 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.

The content of the policy statement and TMPs will follow the recommendations contained in Sections 6 and 7 of the Code, 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.

- 13.1.3       The full 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, a mid-year review and an annual report after its close, in the form prescribed in the TMPs.

- 13.1.4       The full Council is also responsible for ensuring the implementation and regular monitoring of its treasury management policies and practices, and delegates the execution and administration of treasury management decisions to the Head of Finance, who will act in accordance with the organisation's policy statement and TMPs and, if he/she is a CIPFA member, CIPFA's Standard of Professional Practice on Treasury Management.

- 13.1.5       The full Council will also be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

- 13.1.6 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.
- 13.1.7 All investments of money will be in the name of the Council and be within lending limits approved by the Council.
- 13.1.8 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.
- 13.1.9 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 RISK MANAGEMENT**

- 14.1.1 The Head of Finance will be responsible for the appropriate provision of insurance cover.
- 14.1.2 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.
- 14.1.3 The Head of Finance may issue detailed guidance giving advice on measures to reduce or eliminate any financial risks that may be identified.
- 14.1.4 Executive Directors will promptly inform the Head of Finance of any new financial risks within their area of responsibility that may come to light.
- 14.1.5 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 as required, setting out the insurance arrangements in place.
- 14.1.6 The Head of Finance 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.

- 14.1.7 The Head of Finance may issue additional guidance on the processing of insurance claims.
- 14.1.8 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.
- 14.1.9 Executive Directors will inform the Head of Finance of any amendments / deletions of safes or other secure containers.
- 14.1.10 Executive Directors will be responsible for ensuring that 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**

- 15.1.1 Executive Directors will be responsible for the safe custody of buildings, vehicles, stores, equipment, cash, financial stationery, Council records and any other asset under their control.
- 15.1.2 The Head of Finance will be responsible for the security of cheque stationery, stock certificates and other related financial documents in the custody of the Chief Executive's Service.
- 15.1.3 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.
- 15.1.4 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.
- 15.1.5 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.
- 15.1.6 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**

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

- 16.1.1 The Head of Finance and Executive Directors of Housing and Community Care and Environment will maintain a register of all land, buildings and infrastructure owned by the Council, including dwellings provided under the Housing Acts.
- 16.1.2 The Head of Legal Services will be responsible for the custody of all Title Deeds.
- 16.1.3 The Executive Director of Education & Children's Services will be responsible for maintaining asset inventories of IT hardware.
- 16.1.4 Executive Directors will be responsible for the custody of all other physical assets including furniture, fittings and equipment within their service.

### **16.2 Inventories**

- 16.2.1 The Head of Finance may issue guidance as to the nature of items to be included in inventories and the data to be recorded.

### **16.3 Vehicles**

- 16.3.1 The Executive Director (Environment) will be responsible for the management of all the Council's vehicles which require an Operators Licence. The Executive Director (the Environment Service) will maintain an inventory of such vehicles and may require Executive Directors to provide such information as is necessary to enable this to be done.
- 16.3.2 The Executive Director (Environment) will be responsible for the maintenance of all such vehicles as are mentioned in 16.3.1 and for all legal requirements relating to the ownership of the Council's vehicles.
- 16.3.3 The use of all Council vehicles will be recorded in a manner approved by the Head of Finance.

### **16.4 Stocks**

- 16.4.1 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.
- 16.4.2 Executive Directors will maintain up to date stock records, in a manner approved by the Head of Finance.

- 16.4.3 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. (Final Accounts Guidance) Guidance Any material discrepancy will be reported to the Head of Finance, who will determine the most appropriate course of action.
- 16.4.4 Executive Directors will issue detailed guidance on the procedures for year-end stocktaking within their own Services.
- 16.4.5 No stock can be written-off without the prior approval of the Council.

## **16.5 Disposal of Surpluses**

- 16.5.1 This regulation applies to any sale of furniture, equipment, stocks, waste or by-products.
- 16.5.2 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.
- 16.5.3 Where no such alternative use is found the items will be disposed of, in accordance with arrangements approved by the Executive Director concerned.

## **16.6 Use of Council Property**

- 16.6.1 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.

# **17. COMMON GOOD FUNDS AND GRANTS**

## **17.1 Common Good Funds**

- 17.1.1 The Council's Financial Regulations will apply to the activities of Council members and employees in respect of Common Good Funds.
- 17.1.2 The Head of Finance will maintain a register of all Common Good Funds
- 17.1.3 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.



- 17.1.4 The Head of Finance will determine the funds' investment policies.
- 17.1.5 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.
- 17.1.6 The Common Good Funds will be within the scope of internal audit review.

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

### **18.1 Unofficial Funds**

- 18.1.1 This section applies to School Funds, Comforts 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 Comforts Funds bank accounts.
- 18.1.2 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.
- 18.1.3 School Funds and Comforts 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.
- 18.1.4 Executive Directors are authorised to open and operate School Funds and Comforts Funds bank accounts and will maintain an up to date register of all accounts registered by their Service.
- 18.1.5 All accounts for School Funds, Comforts Funds will bear the name of the establishment to which they relate, along with their purpose.
- 18.1.6 Executive Directors must ensure that all bank accounts are reconciled regularly.
- 18.1.7 All transactions will require the approval of two authorised signatories. Executive Directors will put in place adequate arrangements for nominating, who will require the approval of the relevant senior officer. Any departures from this requirement will require the approval of the Head of Finance.
- 18.1.8 Executive Directors will ensure that annual accounts are produced for any fund under their control, and that these are independently audited by a suitable person. The Head of

Finance may make directions as to the form of accounts or the arrangements for audit.

- 18.1.9 The regulations described in Section 7 - Internal Audit, will apply to voluntary and unofficial funds.

## **18.2 Private Property**

- 18.2.1 Executive Directors will notify the Head of Finance of all circumstances in which they, or persons under their authority, are liable to have custody of any property belonging to an outside body or individual.

- 18.2.2 Executive Directors should issue guidance setting out the appropriate arrangements concerning the receipt, recording, storage and return of any such private property.

- 18.2.3 Private property will be accounted for separately from Council funds, and will be subject to internal audit review.

- 18.2.4 Executive Directors may require any Council employee to give an account of all private property held in connection with their duties.

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

### **19.1 General**

- 19.1.1 These regulations should be read in conjunction with the Employee Code of Conduct and the Councillor's Code of Conduct or such further guidance that may be issued.

- 19.1.2 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.

### **19.2 Fees**

- 19.2.1 No person will be permitted to receive or retain any fee or other payment from any outside individual or body, received as a consequence of their position within the Council, without the approval of the Chief Executive or the relevant Executive Director. All such approvals will be recorded in a manner approved by the Chief Executive. Members are required to comply with the Councillor's Code of Conduct and any

accompanying guidance. Employees are required to comply with the Employee Code of Conduct and any accompanying guidance.

### **19.3 Gifts**

19.3.1 No member or officer will solicit a gift or other benefit from any outside individual or body, in connection with any part of their duties to the Council.

19.3.2 No member or officer will accept a gift or other benefit in any case where this might influence their judgement, or might reasonably be perceived to have an influence on their judgement. Subject to this, a gift may only be accepted where the approval of either an appropriate manager, the relevant Executive Director or the Chief Executive where appropriate, has been received. All such approvals will be recorded in a manner approved by the Chief Executive.

19.3.3 Small gifts below the value of £25, such as pens and calendars need not be declared.

19.3.4 In all cases of doubt, the ruling of the appropriate Executive Director or, where appropriate, the Chief Executive or Head of Finance will be sought. Members are required to comply with the Councillor's Code of Conduct and any accompanying guidance. Employees are required to comply with the Employee Code of Conduct and the Gifts and Hospitality Policy & Procedures.

### **19.4 Hospitality**

19.4.1 If an employee has any doubts about the advisability of accepting an offer of hospitality, this should be discussed with their Line Manager. Council officers may accept any reasonable hospitality up to a value of £25 that is received in connection with their duties. Hospitality of an extravagant nature will not be accepted. Members are required to comply with the Councillor's Code of Conduct and any accompanying guidance. Employees are required to comply with the Employee Code of Conduct and the Gifts and Hospitality Policy & Procedures.

