

Report To:	Audit Committee	Date:	23 August 2011
Report By:	Chief Financial Officer	Report No:	FIN/70/11/AP/GJ
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Subject:	Revised Financial Regulations		

1.0 PURPOSE

- 1.1 The purpose of this report is to present the Revised Financial Regulations to the Audit Committee for consideration prior to formal approval by The Inverclyde Council.

2.0 SUMMARY

- 2.1 It is a requirement of the Financial Regulations that they are reviewed as a minimum every 4 years. The last review was in 2007.
- 2.2 The Financial Regulations set the framework for Financial Governance within the Council and require to tie in with other key Governance Documents such as the Standing Orders for Contracts and the Scheme of Delegation.
- 2.3 The most significant changes to the Financial Regulations relate to changes in Procurement, Capital Programme and the Governance of External Organisations.
- 2.4 The Revised Financial Regulations have been reviewed by Senior Officers of the Council and their input has been reflected in the document now presented to the Audit Committee.
- 2.5 Following approval by the Council it would be the intention of the Chief Financial Officer to have awareness raising sessions with relevant officers and if requested, Council Members.

3.0 RECOMMENDATIONS

- 3.1 It is recommended that the Audit Committee review and approve the Revised Financial Regulations and agree that they be remitted to The Inverclyde Council on 6 October 2011 for approval.

Alan Puckrin
Chief Financial Officer

4.0 BACKGROUND

- 4.1 The Council's Financial Regulations require to be reviewed as a minimum every 4 years. The last review took place in 2007.
- 4.2 The Council's Standing Order for Contracts were comprehensively reviewed and approved in February 2011 and it is important that these two key Strategic Governance documents provide consistent advice and guidance to Members and Officers.
- 4.3 The Council's Financial Regulations provide a framework to Officers and Members within which they must operate. In a number of areas there are more detailed guidance documents such as the Procurement Manual to provide greater detail where this is required.

5.0 MAJOR CHANGES

- 5.1 Aside from reflecting any structural and job title changes which have occurred over the last 4 years the major changes incorporated within the Revised Financial Regulations are as follows:
 - (a) A single section has been created around Procurement and Purchasing which combined the previous sections relating to ordering and payments plus contracts. In addition this section has been simplified and shortened to point Officers and Members in the direction of the Standing Orders for Contracts and the Procurement Manual as appropriate.
 - (b) The Capital Programme section, now reflects the operation of the Asset Management Executive Implementation Group.
 - (c) Following approval at the Policy & Resources Committee in May 2011 the section regarding the Council's Governance arrangements with external organisations has been fundamentally altered. This is shown in the final section of the Financial Regulations.

6.0 NEXT STEPS

- 6.1 Following consideration of the Revised Financial Regulations by the Audit Committee they will be submitted to the next meeting of The Inverclyde Council for formal approval. Following formal approval it is the intention of the Chief Financial Officer to provide awareness raising sessions for Senior Officer and if requested, Council Members.

7.0 IMPLICATIONS

- 7.1 Finance; No direct implications.
Legal; Comments from Legal & Democratic Services have been included.

8.0 CONSULTATION

- 8.1 During the preparation of the Revised Financial Regulations the Chief Financial Officer has consulted with the relevant Senior Officers and Services including the Corporate Management Team, the Head of Legal & Democratic Services, the Head of OD, HR and Performance, the Procurement Manager and the Chief Internal Auditor. Their comments have been fully reflected in the revised document.



FINANCIAL REGULATIONS

Revised August 2011

Foreword

- i. i. The Council positively promotes the principles of sound corporate governance within all areas of the Council's affairs.

Corporate governance is about the structures and processes for decision-making, accountability, controls and behaviour throughout the Council. It is based around the key principles of openness, equality, integrity and accountability.

- ii. The fundamental principles of corporate governance should be reflected in the various dimensions of Council business which should include;
 - ◆ Ensuring that a community focus underpins the Council's own vision and priorities;
 - ◆ Ensuring the effective delivery of local services on a sustainable basis;
 - ◆ Establishing effective management structures and processes which include clearly defined roles and responsibilities for officers;
 - ◆ Developing and maintaining effective risk management systems that form part of the Council's strategic decision making process;
 - ◆ Ensuring high standards of propriety and probity in the stewardship of the Council's funds and the management of the Council's affairs;
 - ◆ Commitment to openness in the Council's affairs and the provision of full, accurate and clear information to all stakeholders.
- iii. These Financial Regulations are an essential component of the corporate governance of the Council.

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1. GENERAL INTERPRETATION

- 1.1 These Regulations are made in terms of Section 95 of the Local Government (Scotland) Act 1973 which requires every Local Authority to make arrangements for the proper administration of its financial affairs and to ensure that the proper officer of the Authority has responsibility for those affairs.

The Chief Financial Officer has been designated as "the proper officer" and shall be responsible for advising the Council on financial matters including the determination of Accounting Policies.

- 1.2 In these regulations unless the context requires otherwise the following expressions shall have the meanings respectively assigned to them, that is to say:-

Council means Inverclyde Council;

Committee means all the Committees of the Council including Sub-Committees;

Chief Officer means the Chief Executive, Corporate Directors and Heads of Service. This also refers to and includes other Officers when the stated duties have been delegated;

Budget Manager is a general term for any employee who has been delegated responsibility for the control of a budget.

- 1.3 These Regulations are designed to facilitate the smooth running of the Council and to protect its interests and the interests of Councillors and Officers. The following regulations are made for the proper administration of the Council's financial affairs, Trading Accounts, Trust Funds, The Common Good and Sundry Accounts.

Head Teachers must comply with the Financial Regulations, with the exception of Virement which is defined within the DMR Scheme.

- 1.4 It shall be the duty of the Chief Financial Officer to ensure that Chief Officers maintain adequate financial and accounting arrangements. Chief Officers must comply with all guidance on accounting matters issued by the Chief Financial Officer and no accounting arrangements shall be introduced, discontinued or amended without the prior agreement of the Chief Financial Officer.

- 1.5 Each Chief Officer shall consult with the Chief Financial Officer on the financial implications of any proposals not provided for under the approved revenue budgets or capital programme before any commitment is made or before reporting thereon to the appropriate Committee of the Council.

- 1.6 Each Chief Officer shall ensure that proper internal controls are developed and maintained within financial and other operating systems of their Service. These controls shall be subject to review from time to time as part of the audit process but day to day monitoring of the adequacy and effectiveness of these controls is the responsibility of the Chief Officer concerned.

- 1.7 Chief Officers shall be responsible for ensuring that these financial regulations are complied with in respect of matters falling within their jurisdiction and that

- all Officers with responsibility for financial matters within their Services are aware of these regulations and comply with them.
- 1.8 Compliance with the Financial Regulations is compulsory. If any difficulty is encountered in practice with the Financial Regulations or no provision is applicable to a particular circumstance then the matter should be immediately raised with the Chief Financial Officer. Failure to observe the Financial Regulations may lead to disciplinary action being taken against the Officer responsible.
 - 1.9 These Regulations have been approved at the Full Council and will be formally reviewed and approved every 4 years.
 - 1.10 These Regulations may be jointly varied or revoked by the Chief Financial Officer, Head of Legal & Democratic Services and the Chief Executive outwith the 4 yearly formal review cycle.
 - 1.11 All terms in these Regulations should be considered generic.
 - 1.12 All monetary values within these Regulations are stated exclusive of VAT.
 - 1.13 In all circumstances where a signature is required an electronic substitute will be considered appropriate within the authorisation procedures of the relevant system.

2. EMERGENCY AUTHORITY

2.1 Where due to an emergency it is not possible to obtain the necessary Committee approvals in terms of the Financial Regulations or Standing Orders prior to committing the Council to expenditure the following action should be taken:-

1. Where there is immediate danger to life and limb and therefore a requirement for the Council to safeguard life and property and the prevention of suffering or severe inconvenience, all necessary steps should be taken to remove the immediate danger. Homologations for action taken should be obtained from the next available Committee.
2. In other emergencies the Chief Executive must be made aware of the following, prior to works being carried out or other appropriate action being taken, and prior to any commitment being entered into:-
 - (a) The nature of the problem;
 - (b) The likely consequences of delay;
 - (c) Approximate costs and timescale involved;
 - (d) Longer term solutions (where appropriate).

The Chief Financial Officer, Council Leader and Committee Convenor must be advised at the earliest opportunity of the above and of the actions taken.

2.2 In all cases the Chief Executive is authorised to approve or not to approve the carrying out of the works. In all such situations quotes shall be obtained if at all possible. A retrospective advisory report must be submitted to Committee at the earliest opportunity.

3. REVENUE BUDGET - PREPARATION AND MONITORING

- 3.1 The detailed form and timetable to be followed in respect of the Revenue Budget process shall be determined by the Chief Financial Officer subject to any direction of the Policy & Resources Committee, and following consultation with the Corporate Management Team.
- 3.2 Estimates of income and expenditure shall be prepared by the Chief Financial Officer in conjunction with the Corporate Management Team. These estimates will be approved by the Council and shall constitute the Revenue Budget for the relevant financial year.
- 3.3 The appropriate Committees and the Chief Financial Officer shall be entitled to receive from any Chief Officer such clarification as is deemed necessary on any item of income and expenditure.
- 3.4 The inclusion of items in the approved Revenue Budget shall constitute authority for the appropriate Chief Officer to incur such expenditure in the year concerned, subject to:-
 - 1) The Council's Standing Orders and these Financial Regulations; and
 - 2) Any prior reporting requirements of the appropriate Committee.
- 3.5 The Chief Financial Officer shall provide Chief Officers with financial statements of income and expenditure compared with the approved budget on a regular basis and Chief Officers shall be entitled to receive any clarification deemed necessary on any item of expenditure or income.
- 3.6 Responsibility for ensuring that Revenue Budget provisions are not exceeded shall rest with the Chief Officer concerned, this responsibility shall not extend to depreciation (the responsibility of the Chief Financial Officer) and those allocations from other Services, where responsibility rests with the budget holder of origin.
- 3.7 If it appears that expenditure under any budget head may be exceeded or that an income estimate may not be achieved and if the shortfall cannot be accommodated by the Chief Officer exercising powers of virement in terms of Financial Regulations 4, the Chief Officer, after consultation with the Chief Financial Officer, shall report fully to the Committee concerned. In the event that the Committee is unable to find the amount required elsewhere in its budget, the matter shall be referred to the Corporate Management Team and thereafter the Policy & Resources Committee for consideration.
- 3.8 Any proposal which would involve incurring revenue expenditure which is not allowed for in the Revenue Budget shall be reported to the relevant Committee. The report prepared in consultation with the Chief Financial Officer, shall give reasons why the additional funding is necessary and, where appropriate, make proposals for virement in terms of Financial Regulations 4. Should virement not be possible details of the proposal must be reported to the Corporate Management Team prior to reporting to the relevant Committee and thereafter the Policy & Resources Committee for consideration.

- 3.9 The Chief Financial Officer and the relevant Chief Officers, will jointly submit periodic Revenue Budget Monitoring Reports to each Committee detailing expenditure/income incurred and projected for the year and highlighting any relevant matters. Thereafter the Chief Financial Officer shall produce a consolidated position for the Policy & Resources Committee.

Performance Reports for all Significant Trading Operations shall also be prepared and submitted to Committees on a regular basis.

- 3.10 Councillors shall be entitled to seek explanations for any figure in the Monitoring Reports and if necessary may refer any matter to the relevant Committee.

4. VIREMENT

4.1 The term virement refers to the transfer of budgetary provision from one budget head to another.

4.2 Subject to limitations referred to in Regulations 4.3 to 4.6, virement may be exercised by Chief Officers, by Service Committees and by the Policy & Resources Committee. Chief Officers must use either the on-line virement approval or a Virement Approval Form to smooth administration and provide a clear audit trail.

4.3 Chief Officers may vire unlimited sums within the subjective heading within a Service with the approval of the Chief Financial Officer.

A subjective heading relates to, for example, Supplies and Services, Property Costs, Transport and Plant, Administrative Costs etc.

A Service relates to, for example, within the Organisational Improvement & Resources Directorate:-

- ◆ Finance
- ◆ Customer Services and Business Transformation
- ◆ Organisational Development, HR & Performance

4.4 Chief Officers may vire between subjective headings within a Service to a maximum of £10,000 with the approval of the Chief Financial Officer. Any virement above £10,000 requires initial approval of the Chief Financial Officer then approval of the relevant Committee.

4.5 Head Teachers are constrained as to their powers of virement as set out in the DMR Scheme.

4.6 Chief Officers may vire between Services within a Directorate with the approval of the Chief Financial Officer and thereafter approval of the relevant Committee(s).

4.7 Chief Officers may vire between Directorates with the agreement of all Chief Officers concerned, the approval of the Chief Financial Officer and thereafter approval of all relevant Committees.

4.8 Where the virement proposed involves a change in Council policy the prior approval of the Policy & Resources Committee is required.

4.9 All virement requested is deemed to be permanent, ie to be carried forward into future Financial Years, unless specifically highlighted as being "one-off" at the time of submitting the virement request.

4.10 Limitations

- (a) Windfall savings arising from factors outwith the control of the Chief Officer cannot be used to supplement Service budgets without the initial approval of the Corporate Management Team followed by approval by the relevant Committee and thereafter Policy & Resources Committee. For the avoidance of doubt the Chief Financial Officer will determine whether or not a saving is a windfall saving.
- (b) Virement cannot be used to reinstate an item deleted by the Council during budget considerations unless with the prior approval of the Corporate Management Team and thereafter the Policy & Resources Committee and conforming to the Council's Standing Orders.

5. AUTHORITY TO INCUR EXPENDITURE

- 5.1 Each Chief Officer shall have authority to incur expenditure included in the approved Revenue Budget for the Services for which they are responsible up to the level of the budget provision subject to 5.2 below.
- 5.2 For this purpose a Chief Officer may delegate the processing of expenditure to authorised employees within a Service but the Chief Officer will retain ultimate responsibility for the related budget unless that budget has been formally delegated as part of the Council's Budget Delegation process. Within the Education Service Head Teachers shall be responsible for budgets transferred in terms of the Devolved Management of Resources Scheme.
- 5.3 Except where specific arrangements exist within a Service Level Agreement, expenditure on new buildings or on the alteration, repair or maintenance of existing buildings may not be incurred without technical or professional advice having been received from the Head of Property Assets & Facilities Management. Professional fees will be charged where appropriate.
- 5.4 Each Chief Officer shall comply with the Standing Orders for Contracts when incurring expenditure.
- 5.5 Each Chief Officer shall furnish the Chief Financial Officer with a list of authorised signatories together with specimen signatures, details of the areas of responsibility and financial limits of authorisation of each employee and shall also promptly advise in writing of any additions to or deletions from the list. An annual review will be undertaken by Finance Services and Chief Officers are required to assist with this exercise.
- 5.6 Each Chief Officer shall also ensure that electronic signature authorisation limits for their employees are approved by them and that additions or deletions are notified promptly to Finance Services. Such authorisation limits will be reviewed annually by Finance Services with the assistance of Chief Officers.
- 5.7 Chief Officers seeking approval to lease non-property assets must obtain advice from the Chief Financial Officer and Head of Legal & Democratic Services and incorporate such advice into any report presented to a Committee.
- 5.8 Any consultants considered for appointment must have the appropriate Professional Indemnity/Public Liability Insurance which must be evidenced to the Chief Financial Officer before appointment. The Head of Legal & Democratic Services will issue a letter of appointment which will advise that compliance with the Council's operating procedures and regulations is compulsory.
- 5.9 Expenditure on Council properties repairs, maintenance and jobbing works shall only be authorised when provided by Contractors registered under the terms of the Inland Revenue Construction Industry Scheme.

6. PROUCUREMENT AND PURCHASING

- 6.1 All relevant purchases of goods shall be made through such purchasing arrangements as may be approved from time to time by the Council. Centralised contract arrangements must be used where appropriate, and Services must comply with the Procurement Manual and associated guidance issued by the Corporate Procurement Section.
- 6.2 Unless specified within a formal contractual arrangement approved by the Chief Financial Officer and Head of Legal & Democratic Services no purchases shall be paid for in advance of receipt of goods or services ordered. In general terms, purchases over the Internet or telephone are acceptable using a Council purchasing card but must be in accordance with the approved Purchase Card Policy.
- 6.3 Orders shall be in a format approved by the Chief Financial Officer. All orders shall be signed by an authorised signatory (see paragraph 5.5 & 5.6).
- 6.4 Chief Officers are required to ensure that there is adequate segregation of duties of employees between the ordering of goods and the approval of payment.
- 6.5 All Officers incurring expenditure covered by the exemptions clause in the Standing Orders for Contracts shall ensure that due consideration is given to securing Best Value.
- 6.6 Excepting petty cash and other payments made from Imprest Accounts the normal method of payment of monies due by the Council shall be by electronic funds. A secondary and more expensive approach is to use cheques or other instrument drawn on the Council's bank account however this requires prior approval by the Chief Financial Officer.
- 6.7 All invoices will be input directly by Finance staff to the Financial Management System from where the certifying officer shall authorise the invoice for payment
- 6.8 Before certifying an account the certifying officer shall be satisfied that:-
1. The works, goods or services to which the account relates have been received, carried out, examined or approved and the relevant expenditure has been properly incurred;
 2. The prices, calculations, trade discounts, other allowances, credits and value added tax are correct;
 3. Appropriate entries have been made on stores records or asset records as required;
 4. The account has not been previously passed for payment and it is a proper liability of the Council.
- 6.9 Chief Officers shall be responsible for procuring works, goods or services in accordance with the Standing Orders Relating to Contracts supported by the Procurement Manual and associated Procurement Guidelines.

- 6.10 Where a Chief Officer wishes to procure works, goods or services or accept a tender with a value of greater than £250,000, a report shall be prepared in consultation with the Chief Financial Officer and be submitted to the relevant Committee prior to issuing tender documents. The report shall include details of:-
- (a) Proposed expenditure and the tendering process to be used.
 - (b) Comparison of the latest estimated costs with the approved available budget.
 - (c) How the tender is to be evaluated including Price/Quality split.

The report should also seek authority from the relevant Committee to accept the lowest or most economically advantageous tender where costs can be contained within the approved budget.

Where, following evaluation of tender documents, the tender costs cannot be met from within the approved budget, the matter shall be referred back to the Committee and if required, the Policy and Resources Committee.

- 6.11 Works may be offered to Council's Services. This is subject to compliance with the Council's Standing Orders Relating to Contracts and the appropriate transparency conditions as laid down in the Local Government in Scotland Act 2003 and the Council's own Best Value protocol.
- 6.12 Where a Chief Officer decides that a contract shall be ended, a report on the circumstances prevailing shall be prepared in consultation with the Head of Legal & Democratic Services and submitted to the relevant Committee.
- 6.13 Payments to contractors shall be made on an approved payment request document authorised by the appropriate Chief Officer. Where contracts provide for payments to be made by instalments, the Chief Officer managing the contract shall ensure that a Contract Register is being properly maintained to show the state of account on each contract between the Council and the Contractors together with any other payments and related professional fees.
- 6.14 All instructions to contractors for variations to approved capital works or major revenue projects shall be instructed by the architect/engineer using an appropriate technical instruction form as relevant to the type of contract.
- 6.15 Claims from contractors in respect of matters not clearly within the terms of any existing contract shall be referred to the Head of Legal & Democratic Services for consideration of the Council's liability and, where necessary, to the Chief Financial Officer for financial consideration before attempting a resolution.
- 6.16 Where there is an unreasonable delay in completion of a contract, it shall be the duty of the Chief Officer concerned to consult the the relevant Statutory Officers prior to determining any action in respect of claims for liquidate or other damages.
- 6.17 If, during the course of a contract, a variation or accumulation of variations to the contract or other cause will result in the approved cost being exceeded by over £10,000, the Chief Officer concerned shall report to the relevant Committee.

- 6.18 Final accounts must be agreed as early as practicable after expiry of the defects liability period.
- 6.19 Duly certified accounts must be processed, authorised, coded and passed as soon as possible to the Chief Financial Officer who shall arrange for the examination to the extent that is considered necessary. For this purpose he shall be entitled to make such enquiries and to receive such information and explanations he considers necessary.
- 6.20 Payment will only be made on a duplicate or copy invoice when the certifying officer is satisfied that the copy has not previously been paid.
- 6.21 All amendments to payment request vouchers (CRI's) shall be in ink and initialled by the certifying officer. Tax Invoices must be returned to the creditor for alteration.
- 6.22 The Chief Financial Officer shall have authority to pay duly certified accounts/vouchers.
- 6.23 Each Chief Officer shall, after the end of each financial year, notify the Chief Financial Officer of all outstanding expenditure relating to that year in accordance with the year-end guidance notes.

7. CONTROL OF INCOME

- 7.1 The processes for the collection and banking of all monies due to the Council shall be subject to the approval of the Chief Financial Officer. Changes to processes cannot be made without first obtaining the approval of the Chief Financial Officer.
- 7.2 Income due to the Council for work done, goods supplied or services provided and not paid for at the time must be the subject of accounts being rendered, which record the service delivery date. Chief Officers must ensure preparation and issue of such accounts in order to record and collect the amounts correctly. Accounts must be raised no later than 30 days after the last day of service delivery specified on the account. In rendering charges, Chief Officers shall ensure value added tax is applied at the appropriate rate. In particular, transactions involving joint ventures and land sales can be particularly complex and in all such cases advice shall be obtained from the Chief Financial Officer and Head of Legal & Democratic Services before proceeding.
- 7.3 The Chief Financial Officer shall be notified as soon as is practicable of all monies due to the Council and of all contracts, leases and other arrangements entered into which involves a receipt of money by the Council and the Chief Financial Officer shall have the right to inspect all documents in this connection as may be required.
- 7.4 All receipt forms, books, tickets and other such items shall be designed, ordered, supplied and obtained subject to a consultation with and approval of the Chief Financial Officer. No Officer shall give a receipt on behalf of the Council on any form other than that of an official receipt form or ticket.
- 7.5 All money, cash or otherwise, received by an Officer on behalf of the Council shall without delay be paid to the Chief Financial Officer or as he may direct to the Council's bank account. No deduction may be made from such money save to the extent that the Chief Financial Officer may specifically authorise. Each Officer who directly banks money shall complete a corresponding income analysis sheet and forward it together with the bank pay-in slip and counterfoil to the Chief Financial Officer; alternatively deposits can be made at any Council Collection Office.
- 7.6 All offices or establishments receiving income by post shall secure appropriate mail opening procedures involving clear separation of duties wherever possible. All cheques and postal orders received shall be suitably crossed. Personal cheques shall not be cashed out of money held on behalf of the Council.
- 7.7 Each transfer of official cash from one employee to another will be evidenced in the records of the Service concerned by the signature of the officer receiving the funds. Arrangements shall be developed at each office to secure all income collected on behalf of the Council until such time as these funds are banked.
- 7.8 Not less frequently than once per year scales of charges or tariffs (not fixed by statute) shall be reviewed for inclusion in the Revenue Budget of the following year. Any such review to comply with the Council's Budget Strategy.

- 7.9 The Chief Financial Officer shall maintain a debt management procedure to secure effective recovery of all sums due to the Council. This procedure shall be applied for all monies due to the Council for rent or services provided. No debt due to the Council once correctly established shall be discharged otherwise than by payment in full or by write off following the certification of the Chief Financial Officer.
- 7.10 The Chief Financial Officer shall where necessary act on advice from the Head of Legal & Democratic Services, External Debt Managers and/or Sheriff Officers when determining debts to be written off for accounting purposes. Details of debts written off in terms of this Regulation shall be retained for credit control purposes and to allow the debts to be pursued at any stage until they become time prescribed. A report on debt recovery performance for the preceding financial year shall be submitted annually to the Policy & Resources Committee, no later than 31 October.

8. TRAVEL & SUBSISTENCE ALLOWANCES

- 8.1 All payments in respect of employees travel and subsistence allowances shall be at rates determined by the Council from time to time and in accordance with the scheme for payment of travel and subsistence allowances.
- 8.2 All claims for payment of subsistence allowances, travel and incidental expenses shall be submitted in a form approved by the Chief Financial Officer. All claim forms shall be signed by an authorised signatory (see paragraph 5.5 & 5.6).
- 8.3 Certification by or on behalf of the Chief Officer shall be taken to mean that the certifying officer is satisfied that the journeys have been authorised, the expenses properly incurred wholly, necessarily and exclusively for Council purposes and that the allowances are properly payable by the Council.
- 8.4 Claims forms other than those relating to journeys made by the Chief Executive must always be authorised for payment by an officer senior to the claimant. The claims submitted by the Chief Executive must be countersigned by a Corporate Director
- 8.5 Claims shall be submitted promptly, and on a regular basis. Claims applicable to a financial year shall be submitted within one month after 31 March that year.
- 8.6 Requests by employees and Councillors to travel outwith the United Kingdom on Council business (being funded from the Council budget) must be considered and approved by the Chief Executive in consultation with the Leader and Depute Leader prior to the journey taking place. Where such approval is granted it is for the Council to determine reasonable limits for travel and subsistence expenses and the Chief Financial Officer shall advise employees on an individual journey basis. Subsistence limits for Councillors will be calculated by reference to the Members Salaries and Expenses Scheme.
- 8.7 Except in cases where a spouse or partner forms part of an approved group or delegation, their travel costs and additional accommodation costs shall not be met by the Council, unless approved by Committee.
- 8.8 In exceptional cases, where employees have incurred expenditure and require an advance on expenses before the next available payroll processing date approval shall first be obtained from the Chief Financial Officer. Advances made will be recovered when the claim for expenses is processed which shall be no later than one month following the advance.
- 8.9 Where an advanced payment is required in order to fund expenses which have not yet been incurred e.g. for attendance at an overseas conference, employees may request an advanced payment of expenses. Such a request shall be made to the Chief Financial Officer. Any advance agreed shall not exceed a reasonable estimate of the expenses to be incurred. Where an advance is granted, a claim form detailing actual expenses incurred, together with receipts, must be submitted to the Head of Organisational Development, HR & Performance within one month of the completion of the event.

- 8.10 Advance claims shall be made no later than 3 working days in advance of requirement. Advances will be made by electronic transfer to the employee's Bank Account. No cash advances shall be made unless the requirement is for "foreign currency".
- 8.11 Any failure to account for an advance of expenditure within the timescales indicated above shall result in the advance being recovered from the next available payroll run and employees will be required to sign a mandate authorising such recovery before an advance is made.

9. SALARIES, WAGES AND ESTABLISHMENTS

- 9.1 With the general exception of pensions to former employees the payment of salaries, wages, compensations and other emoluments to all employees of the Council shall be made by the Head of Organisational Development, HR & Performance.
- 9.2 Without the authority of the Council on the recommendation of the Policy & Resources Committee:-
- ◆ No permanent employee at Grade N or above shall be employed in excess of the approved establishment.
 - ◆ Amendments to the permanent establishment below Grade N require approval from the Chief Executive, Head of Organisational Development, HR & Performance and Chief Financial Officer.
 - ◆ Employees shall normally be appointed to the first incremental point of the salary scale of the post. Where there are extenuating factors e.g. experience, existing salary require the placing can be reviewed by the Chief Officer in conjunction with the Head of Organisational Development, HR & Performance with the Chief Executive having the final say in the event that agreement cannot be reached;
 - ◆ The appropriate Conditions of Service shall apply to all employees.
- 9.3 Alterations to rates of wages and salaries and to Conditions of Service for employees agreed by the relevant National Negotiating Bodies, shall be applied from the effective dates specified, subject to the reference to the Council of any matter in which there is a discretion.
- 9.4 Each Chief Officer shall ensure that the Head of Organisational Development, HR & Performance is informed immediately and upon the prescribed form of all matters affecting the payment of such salaries and wages and in particular:-
- ◆ Appointments, resignations, dismissals, suspensions, secondments and transfers;
 - ◆ Changes in remuneration, other than normal increments and pay awards and agreements of general application;
 - ◆ Absences from duty for sickness or other reason, apart from approved leave;
 - ◆ Information necessary to maintain records of service for superannuation, income tax, etc.
- 9.5 Appointments of all employees shall be made in accordance with the regulations of the Council and approved establishments, grades and rates of pay.
- 9.6 All individuals employed by the Council shall be paid through the payroll system and no "self-employed" person shall be appointed without the specific prior written approval of the Chief Executive or relevant Corporate Director.

9.7 All time records or other "pay" documents shall be in a form prescribed or approved by the Head of Organisational Development, HR & Performance and shall be certified in manuscript by or on behalf of the appropriate Chief Officer and returned timeously to the Head of Organisational Development, HR & Performance. The Certifying Officer must be satisfied that:-

- ◆ Hours claimed have been worked;
- ◆ Where applicable, overtime hours have been correctly calculated;
- ◆ Summations are correct.

10. CAPITAL PROGRAMME - PREPARATION AND MONITORING

- 10.1 The Council produces a Capital Programme for the current and a minimum of the next 3 financial years. The resources available over this period are estimated by the Chief Financial Officer.
- 10.2 The Chief Financial Officer shall include within the draft Capital Programme all projects which have been approved by the Policy & Resources Committee following a report which includes a project appraisal.
- 10.3 A report seeking the consideration of a project to be included within the draft Capital Programme shall include the following:-
 - (a) Details of the facilities it is proposed to provide.
 - (b) The need for the project and the benefits which will accrue to the Council and Community. The benefit should be quantified wherever possible and linked to the Corporate Plan and the Single Outcome Agreement.
 - (c) The total estimated Capital Costs of the project including fees, equipment and other ancillary costs.
 - (d) Details of any other proposed funding sources including partner contributions.
 - (e) The estimated future revenue implications (or savings) arising from the project and the proposed source from which any additional costs (excluding loans charges) are to be met.
 - (f) A detailed phasing of Capital costs over financial years on the basis that the project will be approved as part of the next budget round.
- 10.4 The relevant Chief Officer shall submit the report outlined in 10.3 to the Asset Management Executive Implementation Group for discussion and consideration and thereafter to the Corporate Management Team prior to submission to the relevant Committee.
- 10.5 For significant Capital Projects an option appraisal should be incorporated within the report highlighting funding options, risks and sustainability implications.
- 10.6 It shall be the responsibility of each Chief Officer to ensure that approved projects proceed in line with approved timescales and the expenditure does not exceed the sum allocated for each project in the Capital Programme.
- 10.7 Where it appears that the actual cost of projects or group of projects (where a general budget allocation has been agreed) included in the approved Capital Programme is likely to vary from the approved cost, it shall be the duty of the Chief Officer concerned after consultation with the Chief Financial Officer to seek the instructions of the Policy & Resources Committee as soon as possible.
- 10.8 The Chief Financial Officer shall report each cycle to the Policy & Resources Committee updating the financial position of the approved Capital Programme.

In addition the Chief Financial Officer and the relevant Corporate Director shall report on the progress of all current Capital Projects to each meeting of the appropriate Committee.

11. SECURITY

- 11.1 Each Chief Officer is responsible for maintaining proper security at all times for all buildings, stocks, stores, furniture, equipment, cash etc under his control.

- The Chief Executive and the Chief Financial Officer must be notified in any case where it is considered that special security arrangements may be needed.
- 11.2 Maximum limits for cash holdings shall be agreed with the Chief Financial Officer and shall not be exceeded without specific written permission.
 - 11.3 Keys to safes and similar receptacles are to be kept in the custody of persons with delegated responsibility at all times. The loss of any such keys must be reported to the Chief Financial Officer immediately.
 - 11.4 Each Chief Officer shall arrange for registers to be kept of pre numbered accountable stationery e.g. receipt books, order books, tickets, vouchers and other such items under their control.

12. POLICY ON VOLUNTARY FUNDS

- 12.1 Many employees within Council establishments are involved in the handling of money for and on behalf of Inverclyde Council. Employees can also be responsible for other monies as a consequence of their employment by the Council either directly (eg.schools, Social Work establishments, etc) or indirectly as treasurer of a representative body relating to Council activities. These other monies are known as voluntary or unofficial funds.
- 12.2 Voluntary funds maintained by or at an establishment can be defined as "any fund other than an official fund of the Council, which is controlled wholly or in part, by an Officer of the Council by reason of his or her employment".
- 12.3 The aims and objectives of these funds are mainly complementary to and sometimes are not easily distinguishable from those of the Council. Thus, to protect the interests of not only the persons to whom the funds belong but also to safeguard the employees who administer and are responsible for them, suitable financial records must be maintained.
- 12.4 These regulations do not prescribe the detailed form and content of records to be maintained but in all cases written records shall be kept to show the nature and value of all receipts and disbursements. These records shall be kept up to date, be accessible to all parties connected with the funds and be subject to annual audit by a suitable independent person.
- 12.5 Advice on the adequacy of any Voluntary Funds arrangement should be sought from the Chief Financial Officer.

13. ASSET REGISTER

- 13.1 An Asset Register for “accounting purposes” shall be compiled by the Chief Financial Officer which records an adequate description of property plus items of equipment, plant and machinery which exceed de minimus thresholds. The extent to which the owned and leased property of the Council shall be recorded and the Asset Register is to be kept in accordance with the recommended Chartered Institute of Public Finance and Accountancy guidance.
- 13.2 Each Chief Officer shall be responsible for maintaining a regular check on all items on the Asset Register for recording and taking action in relation to surpluses or deficiencies and informing the amendment of the Asset Register accordingly. Deficiencies shall be reported to the Chief Financial Officer. A copy of the Asset Register at the end of the financial year will be compiled by the Chief Financial Officer.
- 13.3 The Corporate Director, Regeneration and Environment shall ensure that a register of all land, properties and structures owned by the Council is maintained, which records the current user, the purpose for which held, the location, the extent, purchase price and rents payable and particulars of tenancies granted.
- 13.4 The Head of Legal & Democratic Services shall ensure custody of all title deeds under secure arrangements.
- 13.5 It is the responsibility of the Corporate Director, Regeneration & Environment to ensure a five year rolling revaluation programme of property assets is adhered to.
- 13.6 The Head of Legal & Democratic Services is responsible for maintaining the register of heritable and moveable assets subject of a leasing arrangement.
- 13.7 Council property shall not be moved otherwise than in accordance with the ordinary course of the Council's business or used otherwise than for the Council's purposes except in accordance with specific directions issued by the Chief Officer concerned. Where Officers are authorised to retain equipment at home for the purposes of home working (either during or outwith normal working hours) each Chief Officer shall maintain a register giving details (including serial numbers where applicable) of equipment held by each employee.

14 DISPOSAL OF ASSETS

- 14.1 All surplus plant, vehicles, equipment (other than IT equipment, see 14.4) and furnishings where no suitable trade-in arrangements have been made and with a value estimated as over £500, shall be offered for sale by the appropriate Chief Officer on the basis of public auction or a sealed offer to be sent to the Head of Legal & Democratic Services. In any case where any other method of disposal is thought to be advantageous, the prior consent of the Chief Financial Officer shall be obtained before such method is adopted.
- 14.2 All land and buildings on becoming surplus to requirements by a particular service will be returned to the control of the Head of Property Assets and Facilities Management. Property will be allocated to another Service or declared surplus to the Council's requirements. All surplus properties shall be sold by the Head of Property Assets and Facilities Management in consultation with the Head of Legal & Democratic Services in accordance with the requirement that the Council secure the best price obtainable. In arranging any sale the relevant Chief Officer shall consult with the Chief Financial Officer to ensure all financial implications including accounting for value added tax are fully considered.
- 14.3 The Council shall not be bound to accept the highest or any offer but where an offer other than the highest offer is recommended for acceptance approval of the Regeneration Committee is required and the reasons for accepting said offer must be duly recorded in the Minute of the Meeting.
- 14.4 Details of any IT equipment which a Chief Officer deems surplus to requirements shall be advised to the Head of Customer Services & Business Transformation. Where such equipment is considered no longer suitable for use within the Council and there is not a secondary ICT market then, these items may be offered to associated companies, Community Councils in terms of Section 55 of the Local Government in Scotland Act 1973 or to any recycling scheme. All such donations shall be recorded by the Head of Customer Services & Business Transformation.

15. STOCKS AND STORES

- 15.1 Chief Officers shall be responsible for the custody of the stocks and stores in their Services which shall not exceed levels agreed between the Chief Officer and the Chief Financial Officer.
- 15.2 Chief Officers shall arrange for periodic examination of stocks by persons other than storekeepers and shall ensure that all stocks are checked at least once in every financial year. No adjustment of stock valuation (for writing off, writing down, obsolescence etc) shall be made without the approval of the Chief Financial Officer.
- 15.3 The Chief Financial Officer shall be entitled to receive from each Chief Officer such information as he requires in relation to stores for accounting, costing and financial recording purposes.
- 15.4 Surplus material, stores or equipment (including scrap) shall be disposed of in terms of Financial Regulation 14 unless otherwise agreed with the Chief Financial Officer. Payment must be received before such items are removed by the purchaser.
- 15.5 Stocks and stores records must be kept in a form approved by the Chief Financial Officer.

16. IMPRESTS

- 16.1 The Chief Financial Officer shall provide such imprests as he considers appropriate for those Officers of the Council who may need them for the purposes of defraying petty cash and other expenses.
- 16.2 The Chief Financial Officer shall open bank accounts where considered appropriate. In no circumstances shall the imprest holder overdraw the account.
- 16.3 No income received on behalf of the Council may be paid into an imprest account. It must be banked or paid to the Council as provided under Regulation 7.5.
- 16.4 Payments from an imprest account shall be limited to minor items of expenditure and to such other items as the Chief Financial Officer may approve and shall be supported by a receipted voucher to the extent that the Chief Financial Officer may require.
- 16.5 On no account shall any allowances or personal expenses or subsistence payments be paid to employees from an imprest account, but shall be reclaimed through the travel and subsistence scheme in terms of Regulation 8.2.
- 16.6 Any officer responsible for an imprest account shall maintain a proper account and shall provide a certificate of balance when requested.
- 16.7 Any officer ceasing to be entitled to hold an imprest, for any reason, shall account for the amount advanced in full. A formal record of this accounting shall be prepared and retained in the Service concerned for inspection.

17. ANNUAL ACCOUNTS

- 17.1 Chief Officers shall provide all information requested in the year end accounting instructions issued by the Chief Financial Officer and comply with the timetable in order to ensure that the annual accounts can be completed in line with the statutory deadline.
- 17.2 A draft of the Abstract of Accounts shall be submitted to the Audit Committee for review prior to formal submission to Audit Scotland.
- 17.3 The Accounts together with the Auditor's report, shall be submitted to the Council for final approval following completion of the external audit.

18. BANKING ARRANGEMENTS

- 18.1 The Council's main bank account will be kept with the Bank approved by the Council and where required the Chief Financial Officer shall arrange for subsidiary accounts to be kept with that Bank.
- 18.2 All bank accounts shall be in the name of, or incorporate the name of, the Council.
- 18.3 Except where in special circumstances it is not possible to borrow on or gain access to the money market, the bank account shall not be drawn in excess of the sum authorised by the Council and agreed with its bankers.
- 18.4 All bank accounts shall be reconciled to supporting records at regular monthly intervals and copies of reconciliations, if requested, shall be forwarded to the Chief Financial Officer for review.
- 18.5 All cheques issued shall bear the signature or facsimile of one of the authorised signatories agreed by the Council. The control of cheques shall be the responsibility of the Chief Financial Officer. Payments over £50,000 must be countersigned by an authorised bank signatory before the payment is released.
- 18.6 Arrangements for electronic funds transfer shall be authorised by the Chief Financial Officer or his nominee.

19. INSURANCES AND INDEMNITIES

- 19.1 The Chief Financial Officer shall effect all insurance cover and negotiate all claims in consultation with other officers where necessary.
- 19.2 Chief Officers shall notify the Chief Financial Officer without delay of all new risks, properties or vehicles which require to be insured and of any alterations affecting existing insurances.
- 19.3 Chief Officers shall notify the Chief Financial Officer in writing of any loss, liability or damage or any event likely to lead to a claim and inform the Police where appropriate.
- 19.4 All employees of the Council shall be included in a suitable fidelity guarantee insurance.
- 19.5 The Chief Financial Officer shall review all insurance arrangements in line with the contract term and report thereon to the Policy & Resources Committee.
- 19.6 Chief Officers shall consult with the Chief Executive, the Head of Legal & Democratic Services and the Chief Financial Officer about the terms of any indemnity which the Council is required to give.

20. TREASURY MANAGEMENT

- 20.1 The Council actively works to promote best practice for all aspects of its Treasury Management Operation. It has adopted the CIPFA “Treasury Management in Public Services – Code of Practice”.
- 20.2 A Treasury Management Policy Statement (TMPS) will be produced at 3 yearly intervals unless there is a requirement to revise the policy in the interim period. The TMPS will state the policies and objectives of the Treasury Management activities.
- 20.3 Treasury Management Practices (TMP’s) will be established and maintained setting out the manner in which the Council will seek to achieve these policies and objectives, and prescribing how it will manage and control these activities as a supplement to this Code. The Chief Financial Officer has delegated authority to change the TMP’s to reflect changes to the Council Structure, Bankers, Treasury Advisors or credit worthiness selection methodology.
- 20.4 At the start of the financial year the Chief Financial Officer shall report to the Policy & Resources Committee on the strategy for Treasury Management it is proposed to adopt for the coming financial year. Thereafter this requires approval by the Council.
- 20.5 All monies in the hands of the Council shall be under the control of the Officer designated for the purposes of Section 95 of the Local Government (Scotland) Act 1973, referred to in the Code as the Responsible Officer.
- 20.6 The Council has delegated the execution and administration of the Treasury Management decisions to the Chief Financial Officer, in whose absence the Depute Section 95 Officer, who will act in accordance with the Council’s Policy Statement and Treasury Management Practices and CIPFA’s Standard of Professional Practice and Treasury Management.
- 20.7 The Policy & Resources Committee will receive an Annual Report by 30 September on the Council’s Treasury Management activities for the preceding financial year. Thereafter this report requires approval by the Council.

21. INVESTMENTS AND LOANS, COMMON GOOD AND TRUST ETC FUNDS

- 21.1 The Chief Financial Officer shall manage these funds in accordance with the limits and conditions imposed by statute, by the Deed of Trust etc and by the Council and shall ensure the proper and safe custody of funds.
- 21.2 All investments of monies under its control shall be made in the name of the Council or in the name of nominees approved by the Council; bearer securities shall be excepted from this regulation but any purchase of such security shall be reported to the Council.
- 21.3 All securities, which are the property of, or in the name of the Council or its nominees shall be held in the custody of the Chief Financial Officer or according to his instruction.
- 21.4 The title deeds of all property in the ownership of the Common Good and Trust Etc Funds shall be held in the custody of the Head of Legal & Democratic Services.
- 21.5 All Trust Funds shall wherever possible be in the name of the Council, all monies left in Trust to the Council or to be administered by its officials shall be notified as soon as possible to the Chief Financial Officer.
- 21.6 All officers acting as Trustees by virtue of their official position shall deposit all securities etc relating to the Trust with the Chief Financial Officer unless the Deed otherwise provides.
- 21.7 The Chief Financial Officer has a duty to prepare Annual Accounts in an appropriate format and submit these accounts to Trustees for approval.

22. HOSPITALITY

- 22.1 Each Corporate Director shall be entitled to extend hospitality within their area up to £500 (excluding VAT) per occasion, subject to budget availability.
- 22.2 When hospitality is estimated to cost in excess of £500 but not more than £1,000 per occasion, written approval shall first be obtained from the Chief Executive.
- 22.3 Hospitality estimated to cost in excess of £1,000 per occasion shall require the prior approval of the appropriate Service Committee.
- 22.4 For hospitality of a Council wide nature related to visits by external organisations, approval of the Policy and Resources Committee is required.
- 22.5 Reasonable hospitality extended to Council employees by current or prospective clients, customers, suppliers etc is an accepted practice, but the acceptance of excessive hospitalities or gifts, other than mere tokens, goes beyond what is proper for a public official, regardless of whether such gifts do, or are intended to, influence them in an official capacity. The acceptance of an offer of any hospitality or gift deemed likely to exceed £20 in value must be approved by the relevant Corporate Director or the Chief Executive prior to its acceptance, and intimated in writing to the Head of Legal & Democratic Services for recording in a central register of gifts and hospitality.
- 22.6 Officers have a duty to report to the Head of Legal & Democratic Services any offers of hospitality which could be viewed as being excessive or if accepted which would run the risk of bringing the Council into disrepute.

23. INTERNAL AUDIT

- 23.1 A continuous Internal Audit Service, under the control and direction of the Head of Legal & Democratic Services shall be arranged to carry out an independent examination of the adequacy and effectiveness of financial and operational controls of the Council, including governance arrangements, as part of the Council's assurance processes. Operational responsibility for the delivery of the service shall be vested in the Chief Internal Auditor.
- 23.2 The Chief Internal Auditor shall be consulted on any significant proposed changes to the Council's internal control mechanisms.
- 23.3 The work of the Internal Audit Section shall be approved and monitored by the Audit Committee. This shall involve the Committee:-
- ◆ Considering and approving the annual audit plan;
 - ◆ Seeking clarification on and approving of reports summarising the findings arising from Internal Audit work; and
 - ◆ Directing in consultation with the Head of Legal & Democratic Services that Internal Audit conducts audits of matters of concern to Councillors and reports in full on these to the relevant Committee of the Council.
- 23.4 The Head of Legal & Democratic Services or her authorised representative, shall have authority to:-
- ◆ Enter at all reasonable times any Council premises or land;
 - ◆ Have access to all records, documents and correspondence relating to any financial and other transactions of the Council, where such access is necessary to investigate the financial propriety of the transaction;
 - ◆ Require and receive such explanations as are necessary concerning any matter under examination; and
 - ◆ Require any employee of the Council to produce cash, stores or any other Council property under his control which is relevant to any investigation being carried out.
- 23.5 Whenever any matter arises which involves or is thought to involve fraud or irregularities concerning cash, stores or other property of the Council or any suspected fraud or irregularity in the exercise of the functions of the Authority, any employee having knowledge thereof shall as soon as possible notify Internal Audit in accordance with the Council's Anti-Fraud and Irregularity Policy or alternatively comply with Council's Whistleblowing Policy which is contained within the Code of Conduct for Employees.

23.6 The Chief Internal Auditor shall investigate any such matters in consultation with the Head of Legal & Democratic Services and report in terms of the Council's policy to combat fraud and corruption. If appropriate the Chief Internal Auditor or other nominated officer will refer the matter to the Police after consultation with the Head of Legal & Democratic Services.

24. RISK MANAGEMENT

- 24.1 The Council will actively promote a positive Risk Management culture in respect of all working practices within the Council while liaising with partnership organisations and local people in risk related matters.
- 24.2 The Council has adopted a Risk Management Policy Statement dedicated to managing the risks within its control to enhance the corporate governance process and in so doing aims to:-
- ◆ Safeguard its employees;
 - ◆ Protect its assets;
 - ◆ Preserve and enhance service delivery to its population;
 - ◆ Maintain effective stewardship of public funds;
 - ◆ Promote a favourable corporate image.
- 24.3 The Council, supported by the Corporate Risk Management Group, has responsibility for:-
- ◆ The establishment of the Council's Risk Management philosophy;
 - ◆ Setting objectives and standards;
 - ◆ Linking Risk Management to Council objectives and stakeholder values;
 - ◆ Setting appropriate objectives and policies on Risk Management and Controls Assurance; and
 - ◆ Embedding Risk Management at every level of Council activity.
- 24.4 The Risk Management Policy Statement is supported by operational guidance which ensures there is an effective framework in place to ensure that the Council can :
- ◆ Identify, assess and prioritise risk
 - ◆ Determine what steps should be taken to reduce or eliminate risk
 - ◆ Monitor the effectiveness of risk mitigation strategies
- 24.5 These Financial Regulations are integral to the delivery of the Corporate Risk Management process.
- 24.6 All Chief Officers are responsible for the continuous review and management of Directorate and Service Risk Registers with appropriate support from the Chief Internal Auditor.

25. EXTERNAL ORGANISATIONS

- 25.1 In May 2011 the Council adopted a process to ensure that it fulfill's its overall Governance responsibilities towards external organisations effectively
- 25.2 A simple matrix has been adopted by the Council by which to determine the level of oversight which the Council should have over organisations to which it makes material payments. The scores which result from this matrix require Lead Officers to take specific courses of action and this can only be varied with the approval of the Chief Financial Officer in consultation with the Head of Legal and Democratic Services.
- 25.3 Annual reports in respect of all organisations covered under these arrangements require to be presented to the relevant Committee.
- 25.4 Lead Officers require to support any Council members involved with relevant organisations.
- 25.5 A list of all relevant organisations will be prepared on an annual basis by the Chief Financial Officer and thereafter submitted to the Policy & Resources Committee for approval. The approved list can be amended during the year with the approval of the Chief Financial Officer based on the advice of the relevant Chief Officer and the Corporate Procurement Manager.
- 25.6 The Annual Monitoring Report submitted to the relevant Committee shall cover -
- 1) The aims and objectives of the External Organisation and how these have been met.
 - 2) The overall financial position of the External Organisation.
 - 3) Performance against targets and any value for money indicators and an overall assessment of the Governance risk to the Council.

