

# APPENDIX 1

## Scottish Borders Council

# FINANCIAL REGULATIONS

January 2016

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## 1. INTRODUCTION

1.1 Section 95 of the Local Government (Scotland) Act 1973 states that:-

*“every local authority shall make arrangements for the proper administration of their financial affairs and shall secure that the proper officer of the authority has responsibility for the administration of those affairs.”*

These Financial Regulations (hereinafter referred to as the “Regulations”) fulfil this requirement by setting out the responsibilities of the Chief Financial Officer as the proper officer with responsibility for the administration of the Council’s Financial Affairs, known as the Section 95 Officer, along with the responsibilities of members of the Executive Team, Service Directors and staff and by providing a mandatory framework for financial administration in Scottish Borders Council.

The Chief Financial officer carries out this role with regard to the CIPFA guidance contained in “The Role of the Chief Financial Officer in Local Government”

1.2 Compliance with these Regulations is mandatory for all employees of the Council, employees of its subsidiary organisations and, where referred to, Elected Members. The Executive Team and Service Directors are responsible for ensuring that:-

- (a) all employees are aware of their respective duties and responsibilities under these Regulations;
- (b) where appropriate, job descriptions reflect the requirements of these Regulations; and
- (c) where appropriate, staff receive copies of or extracts from these Regulations.

**The Chief Executive is responsible for ensuring that Elected Members are aware of their duties and responsibilities under these Regulations.**

1.3 Failure to comply with any requirement of these Regulations may result in the matter being dealt with under the Council’s disciplinary procedures.

## 2. PRINCIPLES

2.1 The financial affairs of the Council shall at all times be conducted in accordance with the three principles of corporate governance set out in The Cadbury Report and CIPFA/SOLACE Guidance on Corporate Governance, namely:-

Openness – in terms of approach and disclosure of information;  
Integrity – straightforward dealing and completeness;  
Accountability – whereby individuals accept responsibility for their actions.

2.2 It is also a requirement of these Regulations that financial transactions do not take place unless they fall within the legal powers of the Council. Where new service developments or contributions to other organisations arise or in cases of doubt, clarification as to legality must be obtained from the Chief Legal Officer or his representative before any liability or expenditure is incurred.

### **3. ROLE OF THE CHIEF FINANCIAL OFFICER**

- 3.1 The Council's Corporate Management Team has to ensure that, as custodians of public money, the Council performs and accounts for its financial activities in an honest, legal and trustworthy manner in accordance with best accounting practice.
- 3.2 The Council has designated the Chief Financial Officer as the officer responsible for the administration of the Council's financial affairs in terms of Section 95 of the Local Government (Scotland) Act 1973. This means he is entitled to issue, and require compliance with, instructions on any aspect of financial management or administration. He, or anyone so delegated by him, may examine administration and control systems within Services and secure any improvements which he considers necessary. He also has the authority to instigate investigations and comment on matters of economy, efficiency or effectiveness of any practices or procedures, existing or proposed.
- 3.3 The Local Authority Accounts (Scotland) Regulations 1985 specify that the system of accounting control and the form of the accounts and supporting records are to be determined by the Chief Financial Officer and that he is to ensure accounting controls are observed and the accounts and supporting records are kept up to date. This includes all of the financial systems which support this process. He is responsible for publishing the Annual Accounts of the Council and attendant information, and for making the arrangements for the statutory audit required by Section 96 of the Local Government (Scotland) Act 1973.
- 3.4 CIPFA guidance 'Delivering Good Governance in Local Government' recommends that the review of effectiveness of internal control should be reported in an Annual Governance Statement, and the Council's Annual Accounts will include a Statement on the System of Internal Control and Governance. In order to inform that statement, The Executive Team will be required to provide certain assurances regarding the internal financial controls operating in their departments. The Executive Team in turn may require similar assurances from Service Directors.
- 3.5 In terms of a management role, the Chief Financial Officer is responsible for advising the Council, its Committees, the Chief Executive, Depute Chief Executives and Service Directors on all financial matters and for monitoring and reporting on financial performance and the Council's overall financial position. It is a requirement of these Regulations that his views are canvassed and he is given the opportunity to express these in any report to the Council or any of its Committees which affects the Council's finances. He must also be granted access to any information and be given such explanations as required to assist him to comply with his responsibilities.

### **4. DEFINITIONS**

- 4.1 In these Regulations:-

"Executive Team" means the Chief Executive and the Depute Chief Executive for People, Depute Chief Executive for Place and the Corporate Transformation & Services Director.

“Service Directors means:-

Chief Executive’s

Joint Director of Public Health  
Chief Financial Officer (Section 95 Officer)  
Chief Officer Human Resources

People

Chief Social Work Officer  
Service Director Children & Young People  
Chief Officer Health and Social Care Integration

Place

Service Director Neighbourhood Services  
Service Director Assets and Infrastructure  
Service Director Regulatory Services (Monitoring Officer)  
Chief Officer - Roads

“Management Team” means the Council’s Corporate Management Team comprising the Executive Team and Service Directors.

“CIPFA” means the Chartered Institute of Public Finance and Accountancy.

“Employees” means all staff directly employed by the Council (including teaching staff) and agency and similarly contracted persons.

“Budget Head” means each line in the Revenue or Capital Financial Plan as appropriate approved by the Council each year. In addition, “Budget Head” means each line within a block allocation, where appropriate, within the Capital Financial Plan.

“Capital Expenditure” is defined in Appendix 1. Where there are areas of doubt, the Chief Financial Officer shall determine whether an item of expenditure is to be classed as capital or revenue, with reference to proper accounting practice.

“Executive Committee” means the Executive Committee of the Council established under the Council’s Scheme of Administration.

“He”, “Him” or “His” should be construed as “She”, “Her” or “Hers” where the postholder referred to is female.

“Executive Member” means the Elected Members appointed as such by the Council from time to time.

“Asset” means any land, building, plant, vehicle, machinery, equipment, computer hardware or software, furniture or fittings used or proposed to be used in the delivery of services.

“Trading Organisations” means the Roads Trading Operation (SBContracts)

“Monitoring Officer” is defined by the Local Government and Housing Act 1989. The role is undertaken by the Service Director Regulatory Services (or such other Officer so designated by the Council from time to time).

## **5. FINANCIAL ADMINISTRATION**

- 5.1 The Executive Committee is responsible for advising the Council on the regulation and control of the finances of the Council. This is carried out through regular revenue and capital budgetary control reports to the Executive Committee and by annually providing Council with five year revenue and ten year capital financial plans.
- 5.2 The Chief Financial Officer is, for the purposes of Section 95 of the Local Government (Scotland) Act 1973, responsible for the proper administration of the Council's financial affairs.
- 5.3 As the Council's financial adviser, the Chief Financial Officer will ensure that a report is made to the Council, at least annually, with respect to the level of financial resources for revenue and capital estimated to be available in each financial year. In addition, reports will be made to Executive Committee:-
- 3 times in each financial year (normally August, November and February) with respect to the financial performance of each Service and Trading Organisation against approved revenue and capital budgets, together with the overall position for the Council.
  - As at each financial year end, showing the final outturn position for revenue and capital.
- 5.4 The Council is responsible for advising on the making and amending from time to time of such Financial Regulations as it considers necessary and desirable for the maintenance, supervision and control of the financial affairs of the Council.
- 5.5 The Executive team and Service Directors are responsible for ensuring the security, custody and control of all resources including employees, plant and equipment, buildings and furnishings, materials, cash and stores appertaining to their department.
- 5.6 Service Directors must consult the Chief Financial Officer with respect to any matter covered under 5.7 below or any other matter which may significantly impact financially upon the Service concerned, the Council itself or the Council's ability to meet its financial obligations before any commitment is incurred.
- 5.7 Where a Service proposes -
- a new policy; or
  - a variation of existing policy; or
  - a variation in the means or time-scale of implementing existing policy
- which affects or may affect the Council's finances, the appropriate Service Director must submit a report to the Executive Committee which may report thereon to the Council.

## **6. FINANCIAL PLANNING**

- 6.1 Following consultation with the Chief Executive the Chief Financial Officer will, in sufficient time each year, intimate to the Management Team the arrangements for the preparation of capital and revenue financial plans, which shall be consistent with

and form an integral part of the Council's overall Corporate and Business Planning and people planning process.

- 6.2 The Management Team will lead the review of the Financial Planning resource and development of a 5 year Revenue and 10 year capital plan to deliver the priorities set out in the Council's Corporate Plan. This ensures a long term approach to financial planning to identify challenges and opportunities facing the Council. To ensure that the Council's financial plan remains affordable the Management Team will continue to review the assumptions made in the financial plans through out the year.
- 6.2 The detailed form of the capital and revenue financial plans will be determined by the Chief Financial Officer and be in accordance with any general directions given by the Council.
- 6.3 The Executive Team, Service Directors, Elected Members and the Chief Financial Officer, will ensure that they fully participate in the preparation of capital and revenue financial plans for their Services in accordance with the processes and directions referred to in 6.1 and 6.2 above.
- 6.4 The 10 year capital plan will consist of a 3 year operational plan and 7 year strategic plan, as approved by Members.
- 6.5 The revenue budget will consist of a 5 year medium term revenue plan to support the delivery of a 1 year budget and 2-5 year indicative plans to support longer term decision making. The revenue financial plan will show the movement between financial years as well as service pressures, developments and efficiencies.
- 6.6 The Chief Financial Officer will report to the Administration Finance & Resources Working Group (AFRWG) and ultimately the Council on the aggregate effect of the capital and revenue financial plans on the Council's financial resources. Each Member of the Council will be provided with a copy of the proposed Financial Strategy, capital and revenue financial plans together with a statement by the Chief Financial Officer of their effect on the Council's finances and the recommended or optional levels of Council Tax to be levied.

## **7. BUDGETARY CONTROL**

### **General**

- 7.1 The Chief Financial Officer will provide Service Directors with on-line access to the Council's Financial Information System and/or with periodic statements to facilitate the management of their Services' financial affairs. The Chief Financial Officer will assist Service Directors with financial management information needs including identifying changing requirements and possible ways of meeting them.
- 7.2 It is the responsibility of the Executive Team, in consultation with the Chief Financial Officer, to ensure that the financial performance of the Services and those budget heads for which they are responsible, are properly managed and monitored and that expenditure and income are managed within approved budgets.
- 7.3 The Executive will provide a challenge and oversight role in the delivery of the Capital Financial Plan and to ensure it is delivered within the agreed capital investment principles. This will include making recommendations to Council on proposed changes to the Plan where appropriate. The capital investment principles underpinning the Capital Financial Plan are shown at Appendix 2.

- 7.4 Each Service Director shall monitor and regulate the financial performance of his Service so as to:-
- ensure that actual expenditure committed and actual income receivable are within approved budgets;
  - achieve such other financial targets as may be imposed by the Council, the Executive Committee, the Administration Finance & Resources Working Group, the Chief Executive or the Chief Financial Officer.
- 7.5 The Executive Team and Service Directors shall comply with procedures determined from time to time by the Council, the Executive Committee, the Chief Executive or the Chief Financial Officer, including the Revenue and Capital Budgetary Control Codes of Practice available on the Intranet, with regard to the preparation of budget monitoring reports for presentation to the Executive Committee as appropriate. Such procedures may include the style and content of such reports, the definition of consultations required and the timetable to be adopted.
- 7.6 The Executive Committee will keep the Council informed as to the state of the Council's finances and nothing in these Regulations will limit the right of the Executive Committee to recommend to the Council such changes to Service budgets as it may deem appropriate. For the avoidance of doubt such changes may be either of general application or particular to specific budget heads or to specific services.
- 7.7 Nothing in these Regulations will prevent the incurring of expenditure which is essential to meet any immediate needs created by an emergency, subject to the action conforming to the Council's emergency procedures defined in Standing Order 53 (which can be found on Intranet and various Emergency Planning and Business Continuity Plans) and being reported to the next appropriate Executive Committee meeting together with proposals for funding that expenditure.

## **Revenue**

- 7.8 The inclusion of any item of expenditure in an approved revenue budget will allow the relevant Service Directors to incur such expenditure subject to compliance with any regulations, procedures, etc approved by the Council, the Executive Committee, the Chief Executive or the Chief Financial Officer which may from time to time be in force.
- 7.9 Except in accordance with the scheme of virement specified at 7.10 and the arrangements for earmarked balances at 7.12, a service may not commit or incur expenditure which cannot be met from the amount currently available in the revenue budget under a budget head to which that expenditure should be charged.
- 7.10 Subject to the procedures detailed below, Service Directors may authorise virement where the budget heads involved are to be varied by not more than the greater of £5,000 or 10% of the original approved budget for each budget head subject to a maximum of £100,000 in any financial year. The Executive Committee may sanction virements in excess of these limits as set out in the Scheme of Delegation.
- 7.11 All virements must be advised to the Chief Financial Officer using the appropriate documentation and must comply with the defined procedures (available on the intranet).



7.12 If as at 31 March in any financial year an underspending has arisen on a revenue budget head, such underspend may be carried forward as an earmarked balance to a subsequent financial year subject to:

- the reason for the underspend being identified before 31 March;
- the nature and amount of the proposed earmarked balance being approved by the Executive Committee before 31 March; and
- no overspend existing within the relevant Department

From time to time the Executive Committee may:-

- determine the relevant budget heads to which this regulation applies:
- suspend the operation of this Regulation.

Nothing in this regulation shall obviate the need to comply with the scheme of virement detailed at 7.10 during a financial year.

7.13 The Trading Organisations of the Council will be exempt from Financial Regulations 7.8, 7.9 7.10 and 7.11 subject to their compliance with any regulations and procedures determined by the Council or the Executive Committee for the control of their operations and to their meeting any financial targets specified by the Council and the statutory financial targets in force from time to time and not leading to any increased costs chargeable to the Council client during any financial year. For the avoidance of doubt, the remainder of these Financial Regulations shall apply to trading organisations.

7.14 Regulations 7.9, 7.10, 7.11 and 7.12 will not apply to expenditure and income managed by School Head Teachers in terms of the Council's Scheme of Devolved School Management. For the avoidance of doubt, the remainder of these Financial Regulations shall apply to schools.

## **Capital**

7.15 The approval by the Council of the Capital Programme prior to the commencement of each financial year shall be taken as approval for the individual projects or expenditures included therein. For spending blocks within the programme, detailed spending plans will be presented to the Executive Committee for approval. The Service Director Assets & Infrastructure may incur expenditure included in the programme (and where appropriate, blocks) without further reference to the Council provided that:-

- the scope and phasing of the project remains in accordance with the detailed proposals previously approved by the Council
- the Executive Committee has approved detailed plans for spending block allocations; and
- the expenditure on the project in each year of the Programme will not exceed the amounts approved by the Council.

7.16 Subject to the procedures set out below, the Service Director Assets & Infrastructure may in consultation with the Chief Financial Officer authorise a virement between capital budget heads for up to £50,000 or 10% of the approved budget. For clarity, the interpretation of budget head in relation to block allocations will be the block allocation lines as reported to Executive Committee – NB allocations of up to £50,000 or 10% between projects within approved block programmes is therefore permissible without prior Executive approval. All Virements approved will however be reported to the next Executive Committee.

7.17 If at 31 March in any financial year an overspend has arisen on a project budget due to acceleration of project timescales, the approved project budget for the subsequent financial year shall be decreased to the full extent of such overspending. Monitoring reports will include the total budgeted cost of projects across the whole timeline for project delivery.

If as at 31 March in any financial year an underspend has arisen on a project budget due to a timing movement, such underspend will be added to the approved project budget for the next financial year.

## **8. ACCOUNTING**

8.1 All accounting systems, procedures and supporting records of the Council and its Officers shall be determined by the Chief Financial Officer in consultation with Service Directors as appropriate.

## **9. MANAGEMENT OF FUNDS AND RESERVES**

9.1 The Chief Financial Officer will manage the following funds in accordance with the limits and conditions imposed by statute and by the Council and in accordance with the Financial Strategy :-

- General Fund
- Loans Fund
- Pension Fund
- Trust Funds comprising the Educational Trust and all other bequests, endowments and trusts administered by the Council
- Common Good Funds
- Insurance Fund
- Capital Fund

9.2 Such other funds as the Council may decide to set up will be managed by the appropriate Service Director in consultation with the Chief Financial Officer

## **10. CAPITAL FINANCING AND TREASURY MANAGEMENT**

10.1 The Executive Committee is responsible for the implementation and monitoring of the Council's treasury management policies and practices.

10.2 All capital financing activities will be conducted in accordance with the Prudential Code for Capital Finance in Local Authorities. The Chief Financial Officer is responsible for:-

- ensuring that the requirements of that Code are complied with
  - ensuring that the Prudential Indicators are calculated, regularly reviewed and amended where necessary
  - formally delegating to appropriate Service Directors their responsibilities with regard to compliance with that Code.
- 10.3 The Council adopts the key recommendations of CIPFA Code of Practice for Treasury Management in the Public Services (subject to variation for any particular circumstances of the Council). Accordingly, the Council will create and maintain, as the cornerstone for effective treasury management:-
- a Treasury Management Policy Statement, stating the policies and objectives of its treasury management activities;
  - suitable Treasury Management Practices, setting out the manner in which the Council will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.

The approved Policy Statement is shown at Appendix 3

The Council will receive reports on its treasury management policies, practices and activities, including as a minimum an annual strategy and plan in advance of the financial year, a mid-year review and an annual report after the close of the financial year, in a form prescribed in the Treasury Management Policy.

- 10.4 Before the start of the financial year the Chief Financial Officer shall report to the Executive Committee on the strategy for Treasury Management for the coming year. The Chief Financial Officer shall submit an annual report on Treasury Management activities for a financial year to the Executive Committee by the following 30 September.
- 10.5 All decisions on borrowing, deposits of surplus funds or financing is delegated to the Chief Financial Officer who is required to act in accordance with CIPFA's Code of Practice on Treasury Management in the Public Services, the approved treasury management policy statement and approved annual strategy (all available on the Intranet).
- 10.6 All investments under its control will be made in the name of the Council; bearer securities shall be excepted from this regulation but any purchases of such securities must be reported to the Executive Committee.
- 10.7 All securities in the name of the Council will be held in the custody of the Chief Financial Officer or under arrangements approved by him.
- 10.8 All funds and money in the hands of the Council, with the exception of funds held in the name of the Pension Fund, will be aggregated for the purposes of Treasury Management and will be the responsibility of the Chief Financial Officer.
- 10.9 The Chief Financial Officer will be the Council's registrar of stocks, bonds and mortgages other than the exceptions identified in paragraph 10.6 above and will maintain records of all borrowing of money by the Council.
- 10.10 All trust funds will, wherever possible, be in the name of the Council. All monies left in trust to the Council or to be administered by its officials must be notified immediately to the Chief Financial Officer.

- 10.11 All nominated capital balances held in relation to Common Good and Trust Funds administered by the Council will be managed in accordance with the Common Good and Trust Fund Investment Strategy.
- 10.12 Any officer acting as trustee by virtue of his official position must deposit all securities, etc. relating to the trust with the Chief Legal Officer unless the deed otherwise provides.

## **11. BANKING ARRANGEMENTS, CHEQUES AND OTHER PAYMENT MEDIA**

- 11.1 All arrangements with the Council's bankers will be made by or under arrangements approved by the Chief Financial Officer, who is authorised to operate such bank accounts as he may consider necessary. This regulation will also apply to bank accounts for all Voluntary Funds and Imprests operated by Officers of the Council by reason of their employment.
- 11.2 All cheques on the Council's main banking accounts will be ordered only on the authority of the Chief Financial Officer or other officer authorised by him, who will make proper arrangements for their safe custody.
- 11.3 Cheques on the Council's main banking accounts will bear the facsimile signature of the Chief Financial Officer or be signed by Chief Financial Officer or other Officer authorised by him to do so.
- 11.4 The Chief Financial Officer is authorised to overdraw the Council's main bank account from time to time as may be necessary, providing that the overdraft at any time does not exceed £300,000 unless in emergency circumstances.
- 11.5 The Chief Financial Officer is authorised to make use of the most appropriate payment media having regard to their security and cost effectiveness.
- 11.6 Any employee who considers they require to open and operate a bank account in the name of the Council for the performance of their duties shall require the prior written approval of the Chief Financial Officer to do so. This includes any bank account opened in relation to a voluntary fund as listed in 26.4 below and those opened on behalf of private individuals under corporate appointeeship arrangements.
- 11.7 The Chief Financial Officer is required to maintain a central register of all bank accounts operated by the Council, including those for voluntary funds and corporate appointeeships. It is the responsibility of each Service Directors to ensure that information in relation to bank accounts operated within their service is reported to the Chief Financial Officer for inclusion in the register.
- 11.8 Any Payment Cards will be used only on Council business and within authorised limits. Receipts must be obtained and retained wherever possible, reconciliations completed on a monthly basis and any evidence of irregularity should be immediately advised to the Chief Financial Officer.

## **12. INCOME**

- 12.1 Service Directors will report annually to Council, as part of the setting of the Council's Financial Plan, on the charging policy to be adopted for the forthcoming financial year for services provided under their control.

- 12.2 The collection of all money due to the Council will be under arrangements approved by the Chief Financial Officer. Service Directors should ensure compliance with the Income Management policy.
- 12.3 Payment for goods or services provided should be sought in advance of the goods or service being provided wherever possible.
- 12.4 The Chief Financial Officer must be notified promptly of all income due to the Council. Service Directors must ensure that invoices for goods or services provided are issued as soon as possible after provision of the goods or service and provide the Chief Financial Officer with all relevant details in connection with work done, goods supplied or services rendered and of all other amounts due as may be required by him to record correctly all sums due to the Council in line with the Debt Recovery Policy.
- 12.5 The Chief Financial Officer must be notified promptly of all money due to the Council and of contracts, leases and other agreements and arrangements entered into which involve the receipt of money. The Chief Financial Officer will have the right to inspect any documents or other evidence in this connection as he may decide.
- 12.6 All invoices, receipt forms, books, tickets and other such items of financial stationery will be ordered by the Chief Financial Officer and supplied to Service Directors, who in turn should ensure that satisfactory arrangements for the control of these items are in place.
- 12.7 All money received by an officer on behalf of the Council must be lodged in the Council's bank account without delay (or as otherwise directed, passed to a member of the team). No deduction may be made from such money unless authorised by the Chief Financial Officer. No cheques will be cashed out of money held on behalf of the Council. Each officer who banks money must provide to the Chief Financial Officer a relevant reference to the income received (such as the sundry debtor account number, receipt number or the name and address of the debtor) or otherwise indicate the origin of the cheque/cash.
- 12.8 Every transfer of Council money between Services must be recorded on the appropriate form and signed by the appropriate official. In the case of electronic transfers the procedures determined by the Chief Financial Officer must be followed.
- 12.9 The Chief Financial Officer has authority to write-off individual irrecoverable debts up to £100,000 and shall report to the Executive Committee annually on the aggregate amounts written off. Any debt in excess of £100,000 may only be written-off as irrecoverable following approval by the Executive Committee. All debt due to the Council will be recovered in line with the Debt Recovery policy.
- 12.10 The Chief Financial Officer is responsible for collection and recovery of all debts due to the Council.

### **13. GRANT APPLICATIONS AND CLAIMS**

- 13.1 It is the responsibility of Service Directors to ensure that they identify all opportunities for the Council to claim grants available to it and submit grant applications to the awarding body.
- 13.2 It is the responsibility of Service Directors to ensure that the Chief Financial Officer is advised of the details of all grants receivable by the Council and is involved in applications where the amounts involved are significant.

- 13.3 The Chief Financial Officer is responsible for maintaining a register of all significant grants receivable by the Council and providing details of these to the appropriate Service Director.
- 13.4 All grant claims must be completed timeously by the appropriate Service Directors in accordance with Financial Procedure "Process for Signing Grant Claims" available from the Finance team and on the Intranet.

## **14. RISK MANAGEMENT**

- 14.1 The Executive Team and Service Directors are responsible for ensuring that proper arrangements are in place to manage risk, that effective monitoring is carried out in respect of the Services for which they are responsible and that the following are regularly maintained and updated:-
- A Risk Register based on a comprehensive assessment of risk within their service area
  - Appropriate risk mitigation actions to address all the risks identified in the Risk Register
  - Business Continuity Plans to ensure delivery of crucial service to the public during periods of disruption.
  - Monitoring Reports to inform the Audit & Risk Committee of changes in the level of severity and potential frequency of particular risks which have been identified as "high".
- 14.2 Service Directors are responsible for the management of all risks within their service and should ensure that risk management is taking place
- at the appropriate level within their service
  - in accordance with approved risk management strategy, policy and guidelines (available on the Intranet).
- 14.3 Service Directors/Depute Chief Executives will be required to provide the Chief Executive with annual assurance in relation to the risk management arrangements operating in their Service as part of their Annual Assurance Statement on Internal Control and Governance.

## **15. INSURANCE**

- 15.1 The Chief Financial Officer will affect all insurance cover and negotiate all claims in consultation with other officers where necessary. All correspondence regarding claims against the Council must be passed immediately to the Chief Financial Officer in accordance with the Insurance guide and online forms (available on the Intranet). Under no circumstances should liability of the Council be acknowledged or admitted by an employee or an Elected Member. This requirement applies to any Arms Length External Organisations (ALEOS) established by the Council and to External Contractors working on behalf of the Authority.
- 15.2 Service Directors must give prompt notification to the Chief Financial Officer of all new risks, Property or plant, vehicles or equipment which require to be insured and

of any alteration affecting existing insurances including those related to services being delivered via joint working and partnership arrangements.

- 15.3 Service Directors must immediately notify the Chief Financial Officer in writing of any loss, liability or damage or any event likely to lead to a claim and, after consultation with the Chief Executive, inform the Police where appropriate.
- 15.4 All appropriate employees of the Council will be included in a suitable fidelity guarantee insurance policy if their duties require it.
- 15.5 In accordance with the Insurance guide and online forms (available on the Intranet). The Chief Financial Officer will annually, or at such other period as he may consider necessary, review all insurances in consultation with Service Directors, as appropriate.
- 15.6 Service Directors must consult the Chief Legal Officer regarding the terms of any indemnity which the Council is requested to give.
- 15.7 The Chief Financial Officer has authority to obtain the advice of consultants on insurance and risk management matters, subject to sufficient budgetary provision.
- 15.8 Proposals from Service Directors for ex-gratia payments in relation to insurance claims must be submitted to the Chief Financial Officer for consideration and approval, subject to sufficient budgetary provision.

## **16. INTERNAL AUDIT**

- 16.1 A continuous internal audit, under the independent control and direction of the Chief Officer Audit & Risk, will be arranged to carry out a continuous review of systems and activities that are currently existing or under development, in all departments throughout the Council, to provide assurance on the adequacy of internal financial control, internal control, risk management and governance arrangements in place. Work will be directed by risk and will be carried out in accordance with the Internal Audit Charter, Internal Audit strategy and strategic and annual internal audit plans (all available on the Intranet) approved by the Audit & Risk Committee.

## **17. PREVENTION OF FRAUD, THEFT, MONEY LAUNDERING OR CORRUPTION**

- 17.1 Service Directors are responsible for implementing policies, procedures and controls to prevent and detect fraud, theft and corruption in their Services in accordance with corporate counter fraud policy, strategy and guidelines (available on the Intranet).
- 17.2 Where fraud, theft, corruption or irregularity is suspected:-
  - employees shall comply with the “Whistleblowing” policy within Code of Conduct for Employees and the “Corporate Counter Fraud Response Plan” available on the intranet as appropriate;
  - employees shall comply with the “Anti-Money Laundering Policy” available on the intranet
  - Service Directors are responsible for initiating an investigation and ensuring this is conducted in accordance with the “Guidelines on Conducting Investigations” available on the Intranet within “HR Policies and Procedures”.

- 17.3 Internal Audit is required to give independent assurance on the effectiveness of processes put in place by management to manage the risk of fraud. Internal Audit's other responsibilities in relation to fraud are provided in more detail within the Internal Audit Charter, available on the Intranet.

## **18. ASSET MANAGEMENT**

- 18.1 Service Directors are responsible for managing and continuously reviewing the utilisation of all assets in or under their control or custody and for the preparation of Asset Management Plans as required by the Council, Executive Committee, Chief Executive or Chief Financial Officer.
- 18.2 The Service Director Assets and Infrastructure is responsible for maintaining a register of all heritable property in the Council's ownership (including that held by Common Good Funds).
- 18.3 Service Directors must consult with the Service Director Assets and Infrastructure, Chief Legal Officer and the Chief Financial Officer regarding any acquisition, disposal or lease of land and/or buildings by the Council.
- 18.4 Adequate budgetary provision must be identified for any property acquisition or lease to the Council, which must be first confirmed by the Chief Financial Officer.
- 18.5 All terms and conditions of a property transaction must be first approved by the Service Director Asset & Infrastructure, Chief Legal Officer and the Chief Financial Officer before conclusion of the transaction.
- 18.6 Service Directors are responsible for maintaining inventories of all moveable assets which record an adequate description of furniture, fittings and equipment, computer hardware and software, vehicles, plant and machinery under their control and which is the property of the Council which shall be operated and managed in accordance with the Financial Procedure "Inventories" available on the Intranet. The form in which inventories are recorded is to be determined by the appropriate Service Directors, be consistent with the standard inventory form shown in the financial procedure (in liaison with the Corporate Transformation & Service Director in connection with computer hardware and software) and agreed by the Chief Financial Officer.
- 18.7 Service Directors are responsible for maintaining an annual check of all items on their service inventory, for taking action in relation to surpluses or deficiencies and amending the inventory and advising the Chief Financial Officer accordingly.
- 18.8 Furniture, fittings and equipment, computer hardware and software, vehicles, plant and machinery belonging to the Council will not be removed otherwise than in accordance with the ordinary course of the Council's business. No property or equipment may be used other than for Council purposes except with the specific approval of the Service Directors concerned. In the case of I.T. equipment, the additional approval of the Corporate Transformation & Services Director is also required.
- 18.9 Service Directors are responsible for the care and custody of the stocks and stores in their service which shall be managed in accordance with the Financial Procedure "Stocks and Stores" available from the Finance team and on the Intranet.



- 18.10 Service Directors will, at least once per year, review the level of stocks held and ensure these are not in excess of normal requirements except in special circumstances.
- 18.11 Service Directors will, after consultation with the Chief Financial Officer, make arrangements for periodic sample examinations of stocks by persons other than the storekeeper concerned. All adjustments of stock valuations in the stores accounting records for write-offs, stock deficiencies, obsolescence, etc. may only be made with the approval of the Chief Financial Officer.
- 18.12 The Chief Financial Officer will be entitled to receive from Service Directors such information as he requires in relation to stores for the accounting, costing and financial records.
- 18.13 Surplus moveable assets shall be disposed of by competitive tender or public auction unless decided otherwise in a particular case after consultation with the Chief Financial Officer. Surplus I.T. equipment will be disposed of by a third party with the specific approval of the Corporate Transformation and Services Director.

## **19. SECURITY**

- 19.1 Service Directors are responsible for ensuring proper security is maintained at all times for all buildings, stocks, stores, furniture, equipment, vehicles, plant, cash, computer systems etc under their control.
- 19.2 Maximum limits for cash holdings will be agreed with the Chief Financial Officer and must not be exceeded without his express written permission.
- 19.3 Keys to safes and similar receptacles must be kept in the custody of the persons responsible at all times. The loss of any such keys must be reported immediately to the Chief Financial Officer and where appropriate to the Police.
- 19.4 Service Director are responsible for maintaining proper security and privacy of information in respect of computer systems and manual records and for ensuring that the provisions of the Data Protection Act 1998 and subsequent legislation are complied with.

## **20. CONTRACTS FOR BUILDING, CONSTRUCTION OR ENGINEERING WORK**

- 20.1 Where contracts provide for payment to be made by instalments, the supervising Service Directors will arrange for the keeping of a contract register or registers to show the state of account on each contract between the Council and the Contractor.
- 20.2 Payments to Contractors on account of contracts will be made only on a certificate of payment issued by the supervising Service Directors or other officer nominated for the purpose.
- 20.3 Subject to the provisions of the contract in each case, every variation must be authorised or confirmed in writing by the supervising Service Directors or other officer or consultant nominated for the purpose.
- 20.4 Any change in the estimated cost and / or phasing of a project must be reported to the next available meeting of the Executive Committee for consideration of its effect and a recommendation as to the course of action to be followed.
- 20.5 The Chief Financial Officer will, to the extent he considers necessary, examine records and accounts for contracts and he will be entitled to make all such enquiries

and receive such information and explanations as he may require in order to satisfy him as to the accuracy of the records and accounts.

- 20.6 Claims from contractors and third parties in respect of matters not clearly within the terms of any existing contract will be referred to the Chief Legal Officer and Chief Financial Officer for consideration of the Council's legal liability and consideration of the financial aspects before a settlement is reached. A report by the Service Directors responsible for the contract on each proposed ex gratia and/or extra contractual claim will be submitted to the Executive Committee, as appropriate, for approval.
- 20.7 Where completion of a contract is delayed, it shall be the duty of the Service Directors concerned to take appropriate action in respect of any claim for liquidated damages, loss and/or expense and to report his action to the Executive Committee as appropriate.

## **21. PROCUREMENT OF GOODS, SERVICES & WORKS**

- 21.1 The procurement of all goods, services and works shall be in accordance with the relevant provisions in the Council's Procedural Standing Orders, the Public Contracts (Scotland) Regulations 2006, the Council's approved Procurement Strategy, and relevant EU regulations. The Purchasing Guidelines are provided and are complementary and supportive of Standing Orders and Financial Regulations. The guidelines provide an additional and less technical source of guidance, allowing officers to procure in accordance with all related governance required for any procurement.
- 21.2 Official orders shall be in a form approved by the Chief Financial Officer.
- 21.3 Any major procurement or contract which is of a significant amount and of strategic relevance to the Council must be authorised / signed by the Chief Legal Officer. (A major procurement is defined by any activity that requires approval by any committee of the Council)
- 21.4 Official orders shall be authorised (whether by signature or electronic means) only by officers authorised by the appropriate Service Directors who will be responsible for official orders issued from their services. The names of such officers together with specimen signatures and initials where appropriate, authorised to certify such orders must be sent to the Chief Financial Officer by Service Directors. Before issuing any such order the certifying officer must ensure that a current provision within a relevant budget head exists to meet the resulting liability.
- 21.5 Official orders shall be issued for all work, goods or services to be supplied to the Council. Orders should be issued using the Council's e-procurement system.
- 21.6 Each order must conform to any directions of the Council or the Chief Financial Officer with respect to central purchasing and the standardisation of supplies and materials.
- 21.7 A copy of each order should be retained in accordance with the Records Management and Retention Policy, and access granted, if so requested, to the Chief Financial Officer.

- 21.7 Service Directors must consult the Chief Financial Officer, prior to the procurement of any asset, so that the advantages or otherwise of leasing/contract hire as compared to purchasing may be evaluated.
- 21.8 All terms and conditions of a leasing/contract hire contract, prior to being agreed and signed, must first be approved by the Chief Financial Officer and Chief Legal Officer.
- 21.9 In relation to the funding of external bodies, any payments or in-kind provision shall be in accordance with the Council's Code of Practice on 'Following the Public Pound' available on the Intranet.

## **22. PAYMENT OF INVOICES**

- 22.1 The Chief Financial Officer is responsible for making payment of all certified invoices and monies due by the Council.
- 22.2 The normal method of payment of money due from the Council will be by Bankers Automated Clearing System (BACS), cheque or other instrument drawn on the Council's bank account by the Chief Financial Officer. The Chief Financial Officer has the authority to arrange for payments to be made direct from the Council's bank account by BACS, direct debit, standing order or other means.
- 22.3 Service Directors are responsible for ensuring that all invoices and other payment vouchers arising from sources in their service are examined, checked, verified and certified in accordance with instructions issued by the Chief Financial Officer. Invoices arising from orders raised using the Council's e-Procurement system shall be released for payment only when all electronic authorisation orders have been completed. Otherwise, certification of invoices and all other payment vouchers must be in manuscript (or other means approved by the Chief Financial Officer) by or on behalf of the Service Directors. The names of officers, together with specimen signatures and initials where appropriate, authorised to certify such payments must be sent to the Chief Financial Officer by Service Directors.
- 22.4 Before certifying or authorising an invoice for payment the certifying officer must be satisfied that:-
- An official order, where required, has been properly raised and authorised for the work, goods or services;
  - The work, goods or services to which the invoice relates, are the same as that ordered, has been received, carried out, examined and approved;
  - The relevant expenditure has been properly incurred and is within the relevant budget provision;
  - Appropriate entries have been made in asset registers, inventories, stores records, or stock systems as required;
  - The invoice has not been previously passed for payment and is a proper liability of the Council; and
  - The appropriate ledger code and other relevant information has been properly entered on the invoice against orders raised, acceptable to the Chief Financial Officer.
- 22.5 Except under an approved scheme of devolved invoice processing, all invoices must be sent in the first instance to the Payments section. In accordance with the

guidance specified on the official orders, the supplier must quote the official order number, details of the goods or services supplied and the place where the work was done or goods delivered.

22.6 Service Directors should ensure that their staff address any items within "Troubleshooting" promptly in the E-Procurement system.

22.7 Immediately after the end of each financial year Service Directors will notify the Chief Financial Officer of all outstanding expenditure relating to that year in accordance with the "end of year accounting instructions and timetable".

### **23. SALARIES, WAGES, PENSIONS AND ALLOWANCES**

23.1 The payment of all salaries, wages, pensions, compensation, allowances and other emoluments to all employees, former employees or Elected Members of the Council will be made by the Chief Officer Human Resource (in consultation with the Chief Financial Officer) or under arrangements approved and controlled by them.

23.2 Service Directors are responsible for notifying the Chief Officer Human Resources as soon as possible of all matters affecting the payment of such emoluments, in particular :-

- appointments, resignations, dismissals, suspensions, secondments and transfers;
- changes in remuneration, excluding increments and pay awards;
- information necessary to maintain records of service for pension, income tax and national insurance.

23.3 Service Directors will, in accordance with the agreed procedures, notify the Chief Officer Human Resources immediately of absences from duty for sickness or other reason, apart from approved paid leave.

23.4 Appointments of all employees will be made in accordance with the appropriate policies of the Council and within the approved budget.

23.5 All time records, overtime claims and other pay documents will be in a form prescribed or approved by the Chief Officer Human Resources and will be certified in manuscript (or other means approved by the Chief Officer Human Resources) by or on behalf of the relevant Service Directors. The names of officers, together with specimen signatures and initials, authorised to sign such records will be sent to the Chief Financial Officer by Service Directors.

23.6 The Clerk to the Council is responsible for advising the Chief Officer Human Resources of all changes to Allowances payable to elected Members including

- Election to and resignation from the Council;
- Appointment to and resignation from posts carrying additional and/or special responsibilities.

### **24. TRAVELLING, SUBSISTENCE AND OTHER EXPENSES**

- 24.1 Payments to Members and employees of the Council who are entitled to claim for travelling or other expenses will only be made for actual expenditure reasonably and necessarily incurred in the course of their duties.
- 24.2 Payments to Members of the Council including co-opted members of its Committees who are entitled to claim travelling or other allowances will be made by the Chief Officer Human Resources following submission of the prescribed form duly completed and signed and supported, where appropriate, by receipts. All mileage claims should be supported by fuel VAT receipts and be in accordance with the Mileage Guidelines issued by Human Resources (available on the Intranet in HR Policies and procedures).
- 24.3 All claims by employees for payment of car mileage allowance, subsistence allowance, travelling and incidental expenses will be submitted electronically online to the Chief Officer Human Resources. Claims must be in a form approved by the Chief Officer Human Resources, made up to a specified date of each month, and submitted to him within three working days thereof and supported, where appropriate, by receipts. All mileage claims should be supported by fuel VAT receipts and be in accordance with the Mileage Guidelines issued by Human Resources (available on the Intranet in HR Policies and procedures).
- 24.4 The names of officers, together with specimen signatures and initials, authorised to sign such documents must be sent to the Chief Financial Officer by Service Directors and immediately amended on the occasion of any change.
- 24.5 Certification of claims by the authorising officer will be taken to mean that he is satisfied that the journeys were authorised, the expenses properly and necessarily and actually incurred and that the allowances are properly payable by the Council.

## **25. IMPREST ACCOUNTS**

- 25.1 The Chief Financial Officer will provide such imprest accounts for such officers of the Council as may need them for the purposes of defraying petty cash and other small expenses which shall be operated and managed in accordance with the Financial Procedure "Managing Petty Cash" available from Finance and on the Intranet.
- 25.2 No income received on behalf of the Council may be paid into an imprest account but must be banked or paid to the Authority as provided elsewhere in these Regulations.
- 25.3 All payments from Imprest Accounts will be limited to minor items of expenditure and must wherever practicable be supported by a receipted voucher.
- 25.4 The Chief Financial Officer will annually request from an imprest holder or a holder of cash floats, a certificate as to the state of the imprest account held by them.
- 25.5 Larger imprests may be held in a bank account and the bank account title must include the name 'SCOTTISH BORDERS COUNCIL'. Imprest bank accounts can only be opened on the authorisation of the Chief Financial Officer and must comply with Regulation 11.1.
- 25.6 Claims for reimbursement of Imprest Accounts must be made by the imprest holder in accordance with procedures and timescales determined by the Chief Financial Officer.

- 25.7 Imprest Accounts must not be increased or topped up from other funds or from personal funds.
- 25.8 On leaving the employment of the Council or otherwise ceasing to be entitled to hold an imprest, an officer will account to the Chief Financial Officer for the amount advanced to him.

## **26. PRIVATE PROPERTY AND VOLUNTARY FUNDS**

- 26.1 All arrangements for the safekeeping of valuables (e.g. cash, jewellery, watches, bank books, documents of title etc. deposited with an employee of Social Work) will require to be approved by the Chief Financial Officer.
- 26.2 The Chief Financial Officer must be advised of all voluntary funds, e.g. school funds, comfort funds, etc., administered by officers of the Council by reasons of their employment. It will be the duty of such officers to prepare annual accounts promptly and to arrange for the accounts to be examined by a competent and appropriately qualified person who is independent of administering the Fund.
- 26.3 Paragraphs 11.1 and 16.1 of these Regulations will apply to this section.
- 26.4 Accounts and supporting records should be prepared and maintained in accordance with the appropriate Financial Procedures available from Finance or on the Intranet as follows;-
- Welfare and Comfort funds held in Residential and Day Centres
  - School Funds; Guidelines to Headteachers on Accounting Procedures
  - Financial Advice to Honorary Treasurers, Honorary Auditors and Other Office Bearers of Community Centres

## **27. TRADING ORGANISATIONS**

- 27.1 It may be practical in certain circumstances, to enable the operation of Trading Organisations, for certain Financial Regulations to be waived. The appropriate Service Directors shall require the written authority of the Chief Financial Officer, in consultation with the Chief Executive before such action is taken.

## **28. DELEGATION**

- 28.1 It shall be competent for any Executive Team member or Service Director to delegate any or all of the powers, duties and responsibilities set out in these Regulations to any member of staff they line manage (either directly or indirectly) subject to :-
- the powers, duties and/or responsibilities being set out in writing and cross-referred to the appropriate Financial Regulation
  - the officer to whom the delegation is made expressly acknowledging and accepting the delegated powers, duties and/or responsibilities in writing to the Executive Team member or Service Director

- the Executive Team member or Service Director sending copies of the delegation and acceptance to the Chief Financial Officer for approval.

28.2 Paragraph 28.1 shall not apply to the statutory duties imposed on the Section 95 Officer or the Monitoring Officer.

## **29. EMPLOYEE RESPONSIBILITIES**

### **29.1 Breach of Financial Regulations**

If you believe that anyone has broken, or may break, these Financial Regulations, you must report this immediately to the Chief Financial Officer (or, if more appropriate, to the Chief Executive or the Service Director Planning & Regulatory Services), who may then discuss the matter with the Chief Executive, Service Director Planning & Regulatory Services (as Monitoring Officer) or any other member of the Executive Team, Service Director or authorised person as appropriate to decide what action to take.

### **29.2 Failure to Comply**

Failure to comply with any requirement contained within these Financial Regulations, and associated documents, may result in the matters being dealt with under the Council's Human Resources Policy Framework.

## **30. REVIEW**

30.1 The Chief Financial Officer, in consultation with the Council management team shall review these Regulations on a regular basis, ideally annually. Minor update changes to financial regulations are delegated to the Chief Financial Officer in consultation with the Chief Officer Audit and Risk. Financial regulations will be published on the Intranet. Financial regulations will be reviewed by the Executive Committee at least every 3 years.

**Capital Expenditure**

1. Decisions on the proper accounting treatment of capital expenditure rest with the Chief Financial Officer and will be taken with reference to the definitions contained in the most recently published CIPFA Local Authority Code of Accounting practice.
2. All expenditure on the acquisition, creation or enhancement of long term assets should be treated as Capital. Expenditure to be treated as provision of a long term asset is:-
  - acquisition, reclamation, enhancement or laying out of land.
  - acquisition, construction, preparation, enhancement or replacement of roads, buildings and other structures.
  - acquisition, installation or replacement of plant, machinery, apparatus, vehicles and vessels.
  - Acquisition, development of intangible assets.

“Enhancement” means carrying out works which are intended to:-

  - lengthen substantially the useful life of the assets; or
  - increase substantially the open market value of the assets; or
  - increase substantially the extent to which the asset can or will be used for the purposes of or in connection with the functions of the authority.
3. Expenditure on the acquisition of a long term asset, or expenditure which adds to, and not merely maintains, the value of an existing asset, is Capital provided that the asset yields benefits to the authority and the services it provides are for a period of more than one year.
4. Improvement works and structural repairs should be treated as Capital, whereas expenditure to ensure that the asset maintains its previously assessed standard of performance is Revenue.
5. The costs of keeping an asset in good repair or decoration to reach its assessed period of useful life are revenue.
6. The Prudential Code requires the authority to identify the impact of capital investment decisions by forecasting total budgetary requirements. The budgetary requirements should be included in the authority’s revenue budget. For this purpose, capital expenditure includes all of the above, as well as items such as:-
  - approved lending on mortgage for house purchase
  - approved on-lending to Registered Social Landlords and for NHT arrangements
  - specific consent to borrow from Scottish Government
  - lending for car purchase
  - lending to the private sector
  - grants to the private sector (for capital expenditure items) as permitted under legislation and consents from Scottish Government
  - assets acquired by way of finance lease or under PPP / PFI / NRD financing arrangements
7. Individual assets with a cost of less than £5,000 and a group of assets with a combined cost of less than £20,000 will not be treated as capital expenditure and must be charged to revenue



**Capital Investment principles**

The capital investment principles underpinning the Capital Programme are as follows:

- To ensure that **best value for money** is derived from the Council's capital investment through better planning.
- To demonstrate to stakeholders that the capital investments are **in line with the Council's key long term objectives** in relation to the development and delivery of its services.
- To use the Capital Planning Process to demonstrate that the Council is **delivering its key objectives in a considered and objective manner**.
- To use the longer term planning horizon **to undertake rigorous option appraisal**, and **examine and mitigate risks** associated with delivery of the schemes within the programme.
- To plan for the **better use of scarce financial resources**, both revenue and capital, and to look for opportunities to reduce dependency on revenue.
- To better **align capital investment to the best management** of the Council's asset portfolio.
- To **embed project management disciplines** into the delivery of schemes to deliver them on-time and within budget.

## **Appendix 3**

### **Treasury Management Policy Statement**

#### **Adopted by Council – 22 April 2010**

1. The Council defines its treasury management activities as:

*The management of the Council's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of the optimum performance consistent with those risks.*

2. The Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the Council.
3. The Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving best value in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.
4. The Chief Financial Officer will from time to time formulate suitable criteria for assessing and monitoring the credit risk of investment counterparties and shall construct a lending list defining appropriate limits.

