

*Fife Council*

*Financial Regulations*

*March 2018*

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# 1 OVERVIEW

## 1.1 Introduction

### Financial Regulations

- 1.1.1 The Financial Regulations set out the corporate rules for the financial management of the Council. The Council has these regulations as it is both good management practice and the Council is required, by statute, to make proper arrangements for its financial management.
- 1.1.2 The Financial Regulations are intended to enable staff to carry out their jobs in an efficient manner and free from the risk of being accused of impropriety. Guidance, including Good Practice Guides, is available on FISH to assist with implementation.
- 1.1.3 Where there is any doubt about what the correct procedure is or if the Regulations are themselves constraining the achievement of legitimate Council goals, the matter should be raised with the Executive Director Finance and Corporate Services or appropriate Finance and Corporate Services staff (FACS). Any variations from the requirements of these Financial Regulations need to be agreed in advance and in writing with the Executive Director Finance and Corporate Services.

### Status of Financial Regulations

- 1.1.4 Financial Regulations provide the framework for managing the Authority's financial affairs. They apply to every Member and employee of the Authority and anyone acting on its behalf and are part of the "proper administration of the Council's financial affairs".

### Where Financial Regulations Fit In

- 1.1.5 Financial Regulations are linked to other internal regulatory documents forming part of the Council's Governance arrangements. These include the Council's
- **Standing Orders**
  - **Scheme of Administration**
  - **List of Officer Powers**
  - **Scheme of Tender Procedures**
  - **Codes of Conduct for Councillors and Employees**
  - **Code of Corporate Governance**

### Content of the Financial Regulations

- 1.1.6 The Financial Regulations are set out under a number of broad sections. Each section contains financial responsibilities, an explanation of the relevance of that area, a set of regulations and, where necessary, reference to supporting detailed guidance.

- 1.1.7 All Members and employees have a responsibility for taking reasonable action to provide for the security of the assets under their control, and for ensuring that the use of those resources is legal, properly authorised, provides value for money and achieves best value.

## **1.2 Scope and Observance**

- 1.2.1 The Council, its Councillors and employees shall observe these Financial Regulations and supporting guidance.
- 1.2.2 Any contravention of or potential non-compliance with these Financial Regulations must be reported immediately to the Executive Director Finance and Corporate Services, who may discuss the matter with the Chief Executive and any other Executive Director as appropriate, to determine any action to be taken.
- 1.2.3 These Financial Regulations will be applied and interpreted in a manner which takes account of the obligations contained within the Council's Standing Orders, List of Officer Powers, List of Committee Powers, Scheme of Tender Procedures, Codes of Conduct for Councillors and Employees, and Code of Corporate Governance.
- 1.2.4 Any member or employee acting within the terms of a Joint Committee or Partnership, such as the Health and Social Care Partnership, Company, Trust, Arms Length External Organisation or other external body, should refer to the governance arrangements relevant to that organisation, in addition to these Financial Regulations. It should be noted that any such arrangements are, in all respects, subservient to these Financial Regulations when in the performance of Council duties.
- 1.2.5 These Financial Regulations are made by Fife Council in terms of Section 95 of the Local Government (Scotland) Act 1973 (the 1973 Act), 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 the administration of those affairs.
- 1.2.6 The Local Authority Accounts (Scotland) Regulations 2014 require the Council to:
- make arrangements for the proper administration of its financial affairs and to secure that the proper officer of the authority has responsibility for the administration of those affairs (section 95 of the Local Government (Scotland) Act 1973);
  - manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
  - ensure the Annual Accounts are prepared in accordance with legislation (The Local Authority Accounts (Scotland) Regulations 2014), and so far as is compatible with that legislation, in accordance with proper accounting practices (section 12 of the Local Government in Scotland Act 2003); and
  - approve the Annual Accounts for signature.
- 1.2.7 For the purposes of the 1973 Act and the 2014 Regulations, the Proper Officer is the Executive Director Finance and Corporate Services of Fife Council.

## **1.3 Responsibilities**

### **Roles – Executive Director Finance and Corporate Services**

- 1.3.1 The Executive Director Finance and Corporate Services is the Chief Financial Officer of Fife Council and shall be the Proper Officer of the Council in terms of Section 95 of the 1973 Act, s35 of the Local Government in Scotland Act 2003 (the 2003 Act) and the appropriate provisions of The Prudential Code for Capital Finance in Local Authorities, and, accordingly, shall be responsible for the administration of the financial affairs of the Council.
- 1.3.2 The Executive Director Finance and Corporate Services shall be responsible for issuing guidance for safe and efficient arrangements for the receipt of monies payable to, and for the issue of monies payable by, the Council. He/she shall make the arrangements for keeping the accounts of the Council in terms of Section 96 of the 1973 Act.
- 1.3.3 The 2014 Regulations require that the Executive Director Finance and Corporate Services, as Proper Officer, is responsible for the preparation of the authority's Annual Accounts in accordance with proper practices as required by legislation and as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Accounting Code).

In preparing the Annual Accounts, the Executive Director Finance and Corporate Services will have:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with legislation; and
- complied with the local authority Accounting Code (in so far as it is compatible with legislation).

The Executive Director Finance and Corporate Services will also have:

- kept adequate accounting records which are up to date; and
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

- 1.3.4 Where, in these Financial Regulations, procedures, systems, documents, guidance, etc. require to be provided or approved by the Executive Director Finance and Corporate Services, alterations can only be made with his/her approval, unless delegated through the Finance and Corporate Services List of Officer Powers.
- 1.3.5 The Executive Director Finance and Corporate Services shall be consulted by Executive Directors on all reports to Committee which have financial implications. The Executive Director Finance and Corporate Services must be satisfied that the financial implications are adequately and fully explained within each report.

- 1.3.6 In the event that the Executive Director Finance and Corporate Services considers that Regulation 1.3.5 is not being complied with, he/she may instruct an individual Executive Director to submit all reports to him/her prior to their inclusion on an agenda.
- 1.3.7 In the event of the Executive Director Finance and Corporate Services reporting to Committee on matters of financial implication to individual Services, other than of a strategic nature, he/she shall consult affected Executive Directors as necessary.

### **Roles – Executive Directors**

- 1.3.8 Management is responsible for internal control and Executive Directors are required to sign an annual Assurance Statement to this effect. Each Service Management, having undertaken an assessment of the risks involved and/or having been advised of areas of risk by internal audit, external audit, or another inspection body, is responsible for putting appropriate internal controls in place. If proper internal controls are not in place, Management must accept responsibility for the increased risk of fraud and error.
- 1.3.9 In order to demonstrate compliance with these principles, Executive Directors must ensure that their systems and processes are:
- monitored for their efficiency, effectiveness and economy of operation;
  - subject to review on a continuous basis to ensure that they are current; and
  - supported by formally issued comprehensive and up to date documented procedures (a Best Practice Guide is available on FISH).
- 1.3.10 Executive Directors will be responsible for ensuring that reports submitted to Committees containing proposals which have financial implications are discussed with the Executive Director Finance and Corporate Services prior to such reports being submitted.
- 1.3.11 Executive Directors shall be responsible for ensuring that the Financial Regulations are complied with in respect of matters falling within their jurisdiction.

### **Personal Responsibilities**

- 1.3.12 All Councillors and employees of the Council are responsible for ensuring that they use the equipment, materials and resources entrusted to them in a responsible and lawful manner. They should familiarise themselves with the Council's requirements under these Regulations and other similar policies; for example, the policy on the personal use of computer equipment.
- 1.3.13 If anyone is in any doubt as to their obligations, they should seek advice from their line manager. Any unresolved questions of interpretation should be referred to the Service Manager, Audit and Risk Management.
- 1.3.14 All Councillors and employees of the Council should strive to achieve best value for money and avoid legal challenge to the Council. These responsibilities similarly apply when Councillors or employees are representing the Council on external bodies and joint ventures.

- 1.3.15 In the course of their duties Councillors and employees will see financial and other materials of a confidential nature. There is a general responsibility that all such matters are not disclosed except to authorised personnel.
- 1.3.16 Councillors and employees acting within the terms of outside bodies, whether companies, trusts or other associations, owe duties and responsibilities to those bodies which are separate and distinct from their duties owed to the Council. On occasions, it is likely that their duties owed to the outside body and to the Council will conflict. The Council has approved guidance on this subject, entitled Guidance to Councillors and Officers who serve on Outside Bodies, and the matter is also covered by Section 7 of the Monitoring and Evaluation Framework. Councillors and officers must follow both sets of guidance.
- 1.3.17 All employees must report to their line manager any illegality, impropriety, breach of procedure or serious deficiency in the provision of service. Employees are able to do this without fear of recrimination providing they act in good faith via the Council's Whistleblowing Policy (included in the Employee Code of Conduct).

## **Delegation**

- 1.3.18 As stated in the Council's List of Officer Powers, where an Executive Director has delegated authority, decisions should be further delegated to as close to the point of service delivery as is appropriate in the circumstances. Each Executive Director must prepare and publish a List of Officer Powers for the Service for which they are responsible which details those decisions which have been delegated to officers within these Services. Actions which relate to areas of professional specialisms must be delegated to appropriate officers. Where matters are delegated, the more senior officer remains responsible for ensuring that the authority is being used appropriately.

## **1.4 Review of Financial Regulations**

- 1.4.1 The Financial Regulations will be reviewed as necessary and at least once per Council term. The outcome of any such review will be reported to the Executive Director Finance and Corporate Services who will report any changes, other than minor procedural ones to Fife Council for approval.

## **1.5 Definitions**

- 1.5.1 These Regulations shall be known as the "Fife Council Financial Regulations 2018".
- 1.5.2 In these Regulations, unless the context otherwise requires, the following expressions shall have the meaning assigned to them, that is to say:
- "Council" means Fife Council;
  - "Committee" means all the committees of the Council, including equivalent or subsidiary committees, boards, forums, etc.;
  - "the 1973 Act" means the Local Government (Scotland) Act 1973, and any subsequent Regulations and Instruments pertaining thereto;
  - "the 2014 regulations" means the Local Authority Accounts (Scotland) Regulations 2014; and

- “the 2003 Act” means the Local Government in Scotland Act 2003, and any subsequent Regulations and Instruments pertaining thereto.

## **2 FINANCIAL PLANNING**

**This section outlines the arrangements for financial planning in relation to capital and revenue expenditure.**

**The Local Government in Scotland Act 2003 placed a duty on local authorities to initiate and facilitate community planning. The Community Empowerment (Scotland) Act 2015 created a statutory basis for Community Planning Partnerships, imposing duties on them to involve community bodies in the delivery of local outcomes and to produce “locality plans” for particularly disadvantaged areas. This is conducted through the Fife Partnership, a community planning partnership with NHS, the Health & Social Care Partnership, Police, Fire and Rescue, and education, business and voluntary sectors.**

**The Plan for Fife will serve as the Fife Council Plan, as well as fulfilling the requirement under the Community Empowerment (Scotland) Act 2015 for the Fife Partnership to prepare a local outcome improvement plan during 2017. To ensure that Fife Council and the Fife Partnership retain a clear focus on delivering improvements in these areas, the plan sets clear ten year outcomes for each of these priorities, identifies what needs to change in our approach and proposes actions over the period 2017-20. The Council shows how it is to be financed by publishing Financial Plans, covering both the 3 year Revenue Budget and 10 year Capital Plan.**

**The Capital Plan comprises the Council’s portfolio of projects which require Capital funding. All Capital Programmes & Projects must follow, as a minimum, the Council’s Programme and Project Management Framework procedures, as must Corporate Improvement programmes and projects. Programmes and projects are defined as temporary initiatives to deliver assets or change capabilities. They are different from operational day to day work which delivers ‘business as usual’.**

### **2.1 Capital Expenditure - Planning**

**To facilitate the decision making process and support capital investment decisions, the Prudential Code requires Councils to agree and monitor a number of prudential indicators including external borrowing limits, in order to assess the affordability, prudence and sustainability of the capital plan. Separate indicators are required for Housing Revenue Account (HRA) and the General Fund capital investment.**

- 2.1.1 The Executive Director Finance and Corporate Services will be responsible for the preparation of the Prudential Indicators, ensuring that capital plans are within affordable expenditure limits for the Council.
- 2.1.2 The Council maintains a ten year Capital Plan which is reviewed at a frequency agreed by the Policy and Co-ordination Committee, and the following procedures will apply to the preparation of the Plan:

- a) General Fund Capital Plan – The Council’s Investment Strategy Group will co-ordinate the estimates of capital expenditure for each of the Council’s Policy Priorities for the planning period, in conjunction with Executive Directors; and
  - b) Housing HRA Capital Plan – The Head of Housing Services will prepare the plan in consultation with the Executive Director Finance and Corporate Services and will submit this to the appropriate committee.
  - c) When a and b above have been prepared and agreed with the Executive Director Finance and Corporate Services, they shall be submitted to the Policy and Co-ordination Committee, with a view to being submitted to Full Council for approval, after which it will be known as the Approved Capital Plan.
- 2.1.3 From time to time the Executive Director Finance and Corporate Services will issue guidance on what constitutes capital expenditure including de minimis levels where appropriate. The determination of capital expenditure will be at the sole discretion of the Executive Director Finance and Corporate Services in accordance with proper accounting practice and professional accounting regulations.
- 2.1.4 In the preparation of the proposed capital plans it is the responsibility of the Executive Directors, in conjunction with their accounting teams, to assess the tax implications of the identified options including the preferred option.
- 2.1.5 Executive Directors will be required to identify the full revenue consequences of the projects being proposed for funding when preparing proposed Capital Plans. In addition they will be required to demonstrate where the funding for the revenue consequences will be met. Should additional revenue resources be required, the appropriate Executive Director in conjunction with the Executive Director Finance and Corporate Services will submit a report to the Policy and Co-ordination Committee to seek approval for the project and the additional revenue budget.

## **2.2 Capital Expenditure - Budget Approval**

**This section sets out the approval process for the Capital Budget.**

- 2.2.1 The Executive Director Finance and Corporate Services will submit to the Policy and Co-ordination Committee an estimate of total capital expenditure (to be known as the proposed Capital Plan) for the planning period at a frequency agreed by the Policy and Co-ordination Committee.
- 2.2.2 The proposed Capital Plan will be prepared in accordance with Council policy by the Executive Director Finance and Corporate Services in consultation with the Council’s Investment Strategy Group and Executive Directors and the projects contained therein will be deemed to have approval to proceed provided that:
- the proposed Capital Plan is approved by the Full Council;
  - the estimated total cost (at out-turn prices and including fees) at the time of the approval of a contract does not exceed the provision in the Approved Capital Plan, or alternatively any excess cost does not exceed the tolerance limits set from time to time by the Investment Strategy Group. The total cost of the project must still be able to be contained within the overall total for the policy priority; and

- the Executive Director Finance and Corporate Services is satisfied that the Capital Plan is an affordable, prudent and sustainable plan for the Council and this is demonstrated in the forecast Prudential Indicators.

## **2.3 Revenue Expenditure and Income Planning**

**Sections 2.3 and 2.4 detail the Council's requirements for the preparation of Revenue Estimates covering three financial years. Executive Directors have a key role to play in supplying the Executive Director Finance and Corporate Services with accurate and timeous information, in order to ensure that realistic Budgets are set for Service activity levels. The approval of the Revenue Budget by the Council gives Executive Directors the authority to incur appropriate expenditure.**

- 2.3.1 In consultation with the other Executive Directors, the Executive Director Finance and Corporate Services will be responsible for preparing a 3 year revenue budget which takes account of all known future cost implications. The revenue budget shall be driven by the Service Planning process in order that resources are directed to priority areas. This shall form the budget that is approved by full Council and shall be referred to as the Approved Budget by Council.

## **2.4 Revenue Expenditure and Income 3 Year Budgets**

- 2.4.1 Executive Directors shall prepare estimates, in conjunction with their relevant Business Partners in order that the budget for the Council can be agreed. The Executive Director Finance and Corporate Services shall issue guidance on information required for budget meetings (e.g. scrutiny groups, Council Executive Team) that the Executive Directors have responsibility for preparing.
- 2.4.2 Executive Directors shall review charges on an annual basis in line with the Policy Agreed for Charging.
- 2.4.3 The Revenue Budget may be implemented by Executive Directors subject to any other requirements contained within these Financial Regulations, any other regulations, requirements or controls approved by the Council, or other legislative requirements being met.

### 3 FINANCIAL MANAGEMENT

#### 3.1 Monitoring of Capital Expenditure

**This section details the Council's requirements for monitoring Capital Expenditure in relation to the Approved Capital Plan. It also provides guidance for dealing with changes to the plan and capital receipts. Any matter having a material effect on the Council's finances should be discussed and agreed with the Executive Director Finance and Corporate Services before any provisional or other commitment is incurred, or before reporting details to Committee.**

- 3.1.1 In consultation with the other Executive Directors, the Executive Director Finance and Corporate Services will be responsible for ensuring that there is an effective system of monitoring of expenditure on capital projects, in relation to the Approved Capital Plan. Based on exception reporting guidance, the Policy and Co-ordination Committee will determine the reporting content, timescale, frequency and receiving committee(s) required for monitoring statements and the Executive Director Finance, and Corporate Services and each Executive Director will be responsible for ensuring compliance with this.
- 3.1.2 The Executive Director Finance and Corporate Services will be responsible for reporting any breaches of the authorised limit on external borrowing to the Council as soon as practicable, along with reasons and explanations for the breach.
- 3.1.3 Any proposal to include a new project, or to change the financial provision for an existing project, within the Approved Capital Plan, must be approved by the appropriate Committee following receipt of a report from the relevant Executive Director. The project will be deemed to have approval to proceed provided the requirements set out in 2.2.2 have been met.
- 3.1.4 Through the Investment Strategy Group, officers can manage the Capital Plan to ensure expenditure meets the overall targets set for the Council's Policy Priorities. This will include advancing projects from future years of the Plan to utilise slippage, or to agree transfers between Council Priorities to advance a high priority project. Such transfers will be reversed in future years to maintain the balance of the plan over the Policy Priorities. These movements in the Capital Plan will require to be agreed by the Investment Strategy Group and reported to the Executive Director Finance and Corporate Services to the Policy and Co-ordination Committee for approval.
- 3.1.5 Capital receipts for the general fund are corporately managed and Services cannot retain these to fund additional capital expenditure. Capital Receipts in relation to HRA shall be applied against the housing stock or set aside to repay debt. The percentage of set aside in relation to right to buy receipts will be determined annually by the Executive Director Finance and Corporate Services and Head of Housing Services, within the context of the Standard Delivery Plan.

## **3.2 Monitoring of Revenue Expenditure and Income**

**This Section provides details of the Council's requirements for budgetary control and the framework for reporting to Committee.**

**Budget monitoring is an essential tool in developing a business and management culture which continually monitors and reviews the use of resources in seeking to achieve the strategic aims of the Council.**

- 3.2.1 The primary responsibility for detailed monitoring and control of Service budgets lies with the relevant Executive Director. The Executive Director Finance and Corporate Services has a responsibility to ensure that detailed monitoring by Executive Directors is carried out and that relevant financial information is provided in a format and within a suitable timescale to allow such monitoring.
- 3.2.2 In order to assist in this matter, the Executive Director Finance and Corporate Services will ensure that an appropriate framework for budgetary management and control is in place, and that regular monitoring statements are produced for monitoring purposes.
- 3.2.3 Maintenance of appropriate costing systems is essential for the regular monitoring of performance and allocation of costs in the financial ledger. Reconciliation of any costing systems not linked to the financial ledger system will be carried out by Services on a 4 weekly basis.
- 3.2.4 The Policy and Co-ordination Committee will determine the reporting content, timescale, frequency and receiving Committee(s) required for monitoring statements and the Executive Director Finance and Corporate Services and each Executive Director will be responsible for ensuring compliance with this.
- 3.2.5 These reports will contain explanations where the budget is forecast to be either over or underspent by £250,000 or 0.25% whichever is greater. If the budget is forecast to be overspent proposals shall be outlined as to how the Executive Director plans to recover the position.
- 3.2.6 As early as possible in the succeeding financial year, the Executive Director Finance and Corporate Services will submit, to Policy and Co-ordination Committee, a report setting out the likely out-turn revenue income and expenditure for the previous financial year compared with the budget, together with an explanation of major variations. The budget carry forwards shall be agreed in line with the agreed policy.

### **3.3 Changes to Approved Budgets**

**This section details the arrangements relating to additional resources and for transferring budgets from one head of expenditure to another (virement).**

- 3.3.1 Approval of the Revenue Budget by the Council gives Executive Directors the authority to incur expenditure in line with the Heads of Expenditure shown in the published Financial Plans detailing the budget for each service that the Council expects to be delivered. Expenditure cannot be incurred where there is no provision within the Revenue Budget.
- 3.3.2 Decisions regarding additional resources including supplementary estimates are taken at the Policy and Co-ordination Committee. Committees have authority to transfer resources between Services and budget heads as detailed in the guidance referred to in section 3.3.3 below. This applies equally to income and expenditure budgets.
- 3.3.3 The Executive Director Finance and Corporate Services may from time to time issue Budget Transfer Guidance which details the framework for the transfer of budgets within and/or between Service Revenue Budgets including between the responsibilities of different Executive Directors, to provide them with flexibility to change budgets within authorised levels, in order to better deliver Council services.
- 3.3.4 The Policy and Co-ordination Committee may approve separate regulations for transfers of budget in special circumstances, e.g. Devolved School Management.
- 3.3.5 Expenditure which is essential to meet any immediate needs created by a sudden emergency, or which is referable to Section 84 of the 1973 Act, may be incurred subject to this being reported forthwith to the Chief Executive or Executive Director and as soon as possible thereafter to the Executive Director Finance and Corporate Services and to the Policy and Co-ordination Committee.

### **3.4 Accounting Procedures and Records**

**This Section outlines the Council's requirements for accounting procedures and records, allocation of accounting duties, submission of grants and the retention of financial records.**

- 3.4.1 The Executive Director Finance and Corporate Services, as Proper Officer, is statutorily responsible for all financial matters in which the Council is involved. As such, the Executive Director Finance and Corporate Services will issue guidance for procedural control which ensures that:
- all expenditure is a proper charge;
  - all income due to the Council is billed and collected;
  - all assets are protected and accounted for;
  - all liabilities are accounted for; and
  - proper financial reports are prepared.
- 3.4.2 The Executive Director Finance and Corporate Services will ensure that the Council's financial records are properly maintained and prepared in accordance with Council policy, the relevant legislation and appropriate Codes of Practice.

- 3.4.3 The following will be carried out according to procedures and guidance issued by the Executive Director Finance and Corporate Services:
- the determination of the format of financial records;
  - preparation of the statutory Abstract of Accounts (published Annual Accounts); and
  - production of Council's financial information in Service Plans including estimated revenue and capital expenditure.
- 3.4.4 The 2014 Regulations require that the Executive Director Finance and Corporate Services, as proper officer, is responsible for the preparation of the authority's Annual Accounts in accordance with proper practices as required by legislation and as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Accounting Code). The completed accounts must be approved by the Standards & Audit Committee and forwarded to the Controller of Audit no later than the 31 August the same year.
- 3.4.5 The following principles shall be observed in the allocation of accounting duties.
- the duties of providing information regarding the sums due to or from the Council and of calculating, checking and recording these sums, will be separated as completely as possible from the duty of collecting or disbursing them;
  - officers charged with the duty of examining and directing the accounts of cash transactions will not themselves be engaged in any of these transactions; and
  - all checking and authorisation undertaken by officers should be evidenced by initials or signature, or other procedure agreed with the Executive Director Finance and Corporate Services .
- 3.4.6 All claims, returns or written submissions relating to grants and financial statistics will be submitted to the Finance and Corporate Service's Service and must be signed by an authorised signatory within the Service. Any exception to this must be agreed by the Executive Director Finance and Corporate Services.
- 3.4.7 Financial records, including documentation relative to contracts for work done, services and supplies, will not be disposed of other than in accordance with arrangements approved by the Executive Director Finance and Corporate Services.

## **3.5 Pension and Trust Funds**

**This section outlines the procedures for the management of the Council's Pension Fund, and Common Good and other Trust Funds.**

- 3.5.1 Supervision of the Investments of the Pension Fund, Common Good Funds and Other Trust Funds will be by the Superannuation Fund and Pensions Sub-committee.
- 3.5.2 The Executive Director Finance and Corporate Services will submit to the Superannuation Fund and Pensions Sub-Committee proposals for the administration and investment arrangements of the Funds/Trusts.

- 3.5.3 In the context of the approved administration and investment arrangements, the Executive Director Finance and Corporate Services will ensure the preparation of investment progress and strategy reports and their submission to the next meeting of the Superannuation Fund and Pensions Sub-Committee.
- 3.5.4 Within the context of the approved administration and investment arrangements:
- the Executive Director Finance and Corporate Services will have the authority to decide upon specific purchases and sales of stocks, shares or any other investments;
  - such authority shall only be exercised by the Executive Director Finance and Corporate Services following the taking of advice where required by statute;
  - such advice shall be obtained from whatever source considered appropriate by the Executive Director Finance and Corporate Services, but shall include investment managers appointed at that time by the Superannuation Fund and Pensions Sub-Committee; and
  - any decision taken by the Executive Director Finance and Corporate Services under this regulation shall be reported to the following meeting of the Superannuation Fund and Pensions Sub-Committee.
- 3.5.5 Common Good and Other Trust funds shall be managed by, or under the supervision of, the Executive Director Finance and Corporate Services subject to any statutory requirements and, wherever possible, be in the name of the Council.
- 3.5.6 Officers acting as trustees by virtue of their official position shall deposit all securities etc. relating to the Trust with the Executive Director Finance and Corporate Services, unless the deed otherwise provides.

## **3.6 Treasury Management**

**This section explains the Council’s policy for Treasury Management. 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 optimum performance consistent with these risks”(CIPFA 2011).**

**Whilst most of these functions are undertaken by staff in the Investment Team, each person within the Council has an important role to play and can actively assist by good financial housekeeping on a day to day basis. For example, Service staff can assist in improving savings on interest charges and cash flow by banking all income timeously and giving the Executive Director Finance and Corporate Services advance notice of any large requests for payment or of anticipated large receipts.**

### **Treasury Management**

- 3.6.1 The Council adopts CIPFA’s “Code for Treasury Management in Local Authorities”.
- 3.6.2 A Treasury Policy Statement setting out its strategy and procedures shall be adopted by the Council and thereafter its implementation and monitoring shall be delegated to the Policy and Co-ordination Committee.

- 3.6.3 All investments of money under its control shall be made in the name of the Council.
- 3.6.4 The signatories to any receipt in respect of any loan arranged under the foregoing power will be those nominated by the Council in respect of the signing of cheques. Mortgage deeds in the name of the Council will be signed and sealed in accordance with Section 194 of the 1973 Act and the Council's Standing Orders.

### **Leasing**

- 3.6.5 Where an asset is proposed to be acquired by leasing, determination of the leasing agreement shall be the responsibility of the Executive Director Finance and Corporate Services, having taken comments from the Services involved and Assets, Transportation and Environment.

## **3.7 Bad Debts**

**This section relates to the authority of the Executive Director Finance and Corporate Services to write off bad debts and the reporting thereon. Additionally, it authorises the Executive Director Finance and Corporate Services and the Head of Legal Services to lodge claims with the appropriate person when pursuing bad debts (See 3.7.3 below).**

- 3.7.1 Once all methods of debt recovery in relation to outstanding debts have been exhausted, the Executive Director Finance and Corporate Services, or nominated Officer, is empowered to write off any such sums as bad debts.
- 3.7.2 Write-offs for individual debtors in excess of £50,000 will be reported by the Executive Director Finance and Corporate Services to the Policy and Co-ordination Committee along with an annual summary of bad debts, excluding housing rents. The Head of Housing Services will report rent bad debts periodically to the appropriate Committee.
- 3.7.3 The Executive Director Finance and Corporate Services or the Head of Legal Services, as appropriate, shall lodge claims with the appropriate person (including liquidators, administrators, administrative receivers, supervisors of compositions or schemes, trustees in sequestration and trustees under a trust deed for creditors) in relation to sums due to the Council.

## **3.8 Trading Operations**

**This section covers the arrangements for the Council's operation of Trading Operations and in particular Significant Trading Operations (STO).**

**Trading Operations are defined as providing a service in a competitive environment and on a basis other than straightforward recharge of cost, where proper accounting practice requires trading accounts to be maintained.**

**Any Significant Trading Operation is required to disclose a performance report and trading accounts and has a duty to at least break even over every three-year rolling period.**

**Currently Fife has no STO's.**

- 3.8.1 Subject to any Standing Orders, the Executive Director Finance and Corporate Services shall be responsible for ensuring that the financial provisions of the Local Government in Scotland Act 2003 (as amended and including any orders, or regulations, made thereunder), and of any other relevant legislation, shall be properly applied in relation to any Trading Operations of the Council.
- 3.8.2 Executive Directors responsible for any Trading Operations of the Council shall ensure that they comply with any guidance issued by the Executive Director Finance and Corporate Services in relation to any matter under Regulation 3.8.1.
- 3.8.3 The criteria to be used in identifying which of Fife Council's Trading Operations should become Significant Trading Operations are:

***Financial Criteria:***

*Turnover:* trading operations having an annual turnover more than 1% of the Council's Net Budgeted Expenditure; and

*Risk of financial loss:* trading operations which expose the Council to a medium to high risk of financial loss, having an annual turnover of more than £500,000.

***Non-Financial Criteria:***

*Risk of loss of service or reputation:* trading operations that may expose the Council to the risk of loss of service or reputation.

*Stakeholder interest:* trading operations that are likely to be of significant interest to stakeholders and their needs and

*Trading accounts:* importance of maintaining trading accounts to demonstrate service improvements and achievement of targets.

- 3.8.4 Executive Directors responsible for any Significant Trading Operations of the Council shall, in addition to Regulation 3.8.2, ensure that such Operations meet the requirements of 2003 Act.
- 3.8.5 Competitive tenders do not need to be invited, if any Executive Director concerned deems it desirable to negotiate with a Trading Operation of the Council, within the limits imposed by any relevant legislation, provided Best Value can be demonstrated.

## 4 INTERNAL FINANCIAL ARRANGEMENTS

### 4.1 Banking Arrangements and Cheques

**This section covers the arrangements for all Bank Accounts in the name of the Council; operations by Council staff as part of their duties relating to other bank accounts; and all interaction with the Council's bankers.**

- 4.1.1 The Executive Director Finance and Corporate Services, or such officers authorised by the Executive Director Finance and Corporate Services for that purpose, shall be responsible for issuing guidance in connection with the arrangements for opening and closing of all Bank Accounts in the name of the Council and for the ordering, issuing and safe keeping of cheques for the Council's main banking accounts.
- 4.1.2 The Executive Director Finance & Corporate Services, or officers delegated for that purpose, shall be responsible for issuing guidance in connection with the arrangements for the operation, including electronic transactions, of all Bank Accounts in the name of the Council and operations of third party bank accounts by Council staff as part of their duties.
- 4.1.3 The Executive Director Finance and Corporate Services, or officers delegated for that purpose, shall be responsible for the ordering, issuing and safe keeping of cheques, purchasing cards, bank statements and other materials, including electronic, relating to individual bank accounts.
- 4.1.4 All cheques on the Council's bank accounts shall be signed by the Executive Director Finance and Corporate Services, or officers delegated for that purpose.
- 4.1.5 The Executive Director Finance and Corporate Services, or officers delegated for that purpose, shall be responsible for authorising all payments from or transfers between the Council's bank accounts.
- 4.1.6 The Executive Director Finance and Corporate Services, or officers delegated for that purpose, shall be responsible for giving any indemnity required by the Council's bank regarding the signature on cheques by mechanical means, or pre-signed computer cheques, or where the services of a security firm are used for the deposit or receipt of cash at the bank.
- 4.1.7 Executive Directors, in consultation with the Executive Director Finance and Corporate Services, must provide, and monitor the application of, procedures consistent with these Financial Regulations, for the opening, operation and closure of third party bank accounts operated by Council staff as part of their Council duties (e.g. School Funds, Client's Money). For all such accounts, cheques shall be signed by two delegated signatories unless by prior agreement of the Executive Director Finance and Corporate Services.

- 4.1.8 Bank reconciliations must be performed for each bank account held in the name of the Council or operated by Council staff as part of their duties. These must include agreeing the balance, as shown on a statement provided by the bank, to the accounting records, taking account of uncleared transactions. Reconciliations must be performed in writing on a timely basis for each month end, and checked and signed off by a member of staff with no day to day responsibility for the operation of the account, authorised to do so by the Executive Director Finance and Corporate Services.

## **4.2 Income Collection**

**This section details the procedures and responsibilities for the collection and banking of income. This includes both Council income and income collected by Council staff on behalf of third parties, including School Funds and Client Money.**

- 4.2.1 The Executive Director Finance and Corporate Services is responsible for ensuring that there are adequate arrangements for collecting all income due to the Council.
- 4.2.2 Executive Directors must ensure that they have proper arrangements in place for the collection of income for all locations and for all services provided. They must ensure all income collected is accounted for correctly and that there are proper arrangements in place for banking all monies as soon as possible.
- 4.2.3 All Council income received by Council staff must be paid to the Executive Director Finance and Corporate Services, or where directed, to the Council's bank account without delay. Where receipts of large sums are expected, Banking & Investments staff should be forewarned.
- 4.2.4 Executive Directors must provide and monitor the application of procedures, consistent with these Financial Regulations, for the collection, handling and banking of non-Council funds which may be controlled by their staff such as School Funds or Client's Money. All such money must be banked without delay.
- 4.2.5 Executive Directors must ensure that all contracts, leases and other agreements entered into which involve the receipt of income for the Council, including Developers' Contributions, are notified immediately to the Executive Director Finance and Corporate Services.
- 4.2.6 Where appropriate, sums due will be entered into the Council's corporate invoicing system.
- 4.2.7 Wherever possible, goods or services supplied by the Council must be paid for by the point of delivery. Any exceptions must be subject to an official Invoice raised via the Council's corporate invoicing system administered by the Revenue and Shared Services. Executive Directors are responsible for ensuring that invoices for miscellaneous income are issued as soon as possible and no later than 10 working days after the goods or services have been supplied.
- 4.2.8 Personal cheques must not be cashed out of money held on behalf of the Council or third parties.

- 4.2.9 Payments from income collected on behalf of the Council must only be made with the specific authority of the Executive Director Finance and Corporate Services, and from specific locations. A full list of such payments and locations will be maintained by the Executive Director Finance and Corporate Services.
- 4.2.10 All transfers of official money between the Council's Officers shall be evidenced in the records of the Services concerned by the signature of both Officers.
- 4.2.11 The Executive Director Finance and Corporate Services shall be responsible for ensuring that all receipts, documents, books, tickets and other papers relating to the collection of income are suitable for their purpose and adequately controlled.
- 4.2.12 Where the nature of income requires a receipt (e.g. cash), this must only be given on a receipt that has been approved by the Executive Director Finance and Corporate Services. Where the design and ordering of receipts, documents, etc., is delegated to another Service, its Executive Director is responsible for ensuring that all such receipts and documents have approval for design from the Executive Director Finance and Corporate Services.
- 4.2.13 Executive Directors are responsible for ensuring that proper records of the issue and stocks of receipts and documents are maintained.
- 4.2.14 All income collected on behalf of the Council must be notified at the earliest opportunity or within agreed timescales to the Executive Director Finance and Corporate Services.

#### **4.3 Advances – Imprest Holdings, Petty Cash and Floats**

**This section covers the use of cash advances for Petty Cash Imprests (reimbursable balances for small value purchases) and Cash Floats to provide change to assist in cash collection.**

- 4.3.1 The Executive Director Finance and Corporate Services shall provide such advances to Officers as he/she considers necessary for the purposes of defraying petty cash and other expenses or as a change float for cash collection duties.
- 4.3.2 Nominated Officers will be personally responsible for such advances, including the keeping of cash, stamps, vouchers, etc. in a safe and lockfast place.
- 4.3.3 Staff, on leaving the Service of the Council, or otherwise ceasing to maintain responsibility for a petty cash imprest, or float shall account to the Executive Director Finance and Corporate Services for the total amount advanced.
- 4.3.4 Executive Directors are required to produce an annual certificate for each Petty Cash Imprest or Float certifying they still hold the total sum advanced.
- 4.3.5 The Executive Director Finance and Corporate Services will specify in the Imprest Good Practice Guide and the Purchasing Cards Good Practice Guide the conditions relating to such advances, including the form and manner in which the accounts will be kept and that their use shall be limited to minor and other items of expenditure of a type or value which, in the normal course of business, would not be expected to be ordered through the Council's procurement and purchase order arrangements.

#### **4.4 Orders for Supplies, Services and Works**

**This section covers the guidance on the placing of official orders for goods and services. It covers responsibilities, authorisation and documentation.**

**The procedures for tendering for contracts are contained in the Council Scheme of Tender Procedures.**

- 4.4.1 Each Executive Director shall be responsible for all orders emanating from his/her Service and shall fully observe all guidance issued by the Executive Director Finance and Corporate Services and by the Head of Procurement.
- 4.4.2 All tenders, contracts and orders must adhere to Council payment terms of invoice in arrears of delivery, with payment 30 days from receipt of invoice, and inform suppliers that payment will be by B.A.C.S. These conditions should be printed on all orders along with the address to which invoices should be sent. Any exceptions to the Council's payment terms must be approved, in advance, by the Executive Director Finance and Corporate Services.
- 4.4.3 However, if the supplier has joined the Fife Council Supplier Cash Flow Service, they will receive early settlement from a third party supplier. In turn, the third party will receive payment within 30 days from receipt of invoice. If the suppliers do not send the goods/service then the liability lies with the third party who will either chase for a refund or apply a credit.
- 4.4.4 All contracts entered into by the Council for goods and services must comply with the terms of the Council's Scheme of Tender Procedures.
- 4.4.5 All orders shall be issued in a form approved by the Executive Director Finance and Corporate Services. All orders issued via the ERP purchasing system shall be raised only by Officers authorised to do so by their Executive Director and shall be raised in accordance with any guidance issued by the Executive Director Finance and Corporate Services.
- 4.4.6 Where authority is delegated for the approval of orders, the names of the Officers who hold this delegated authority should be held by Finance and Corporate Services. Where orders are being signed, the names of the Officers and specimens of their signatures should be held by Procurement and Supplies. Value levels of delegated authority should be stated in all cases.
- 4.4.7 Where official order forms or books are in use, these will be prepared by Finance and Corporate Services in consultation with the Executive Director Finance and Corporate Services. Once issued for Service use, official order books must be held securely and used in numerical sequence. If an order is cancelled prior to issue, all parts of the cancelled form must be retained by the Service.

- 4.4.8 Only in exceptional circumstances, where previously agreed, any orders not given in writing or by electronic transmission must be confirmed by an official order in accordance with the Ordering Procedures issued by Procurement. This must be done not later than the next working day.
- 4.4.9 Except as provided elsewhere in these Regulations, no orders shall be issued for goods and services where the cost is not allowed for within an approved budget and Executive Directors shall be responsible for ensuring that costs are allocated to appropriate financial codes.

#### **4.5 Supplier Invoices, Delivery and Payment of Accounts**

**This section details the Council's requirements (applicable only to external payments) for payments of accounts, grant payment claims, etc. It includes procedures to ensure that the Council and any partner only makes payments which are due to be paid, ensuring correct delivery and amount.**

**Performance Indicators published by the Council in accordance with the Accounts Commission Direction include: "The number of invoices paid within 30 calendar days of receipt, as a percentage of all invoices paid."**

- 4.5.1 All accounts and invoices shall be paid in accordance with the Financial Regulations unless they are covered by the No PO Exceptions List drawn up and issued by the Executive Director Finance and Corporate Services. Any variation from the No PO Exceptions List shall be agreed with the Executive Director Finance and Corporate Services.
- 4.5.2 Fife Council's contract terms and conditions require payment in arrears of delivery. Invoices for payment must relate to goods, services or works which have been satisfactorily delivered and be submitted in arrears.
- 4.5.3 The Council's payment terms are 30 days from receipt of an appropriate invoice, with payment by B.A.C.S. Staff should determine whether the goods/services have been received, and retain evidence of satisfactory delivery. Any exceptions to this must be approved, in advance, by the Executive Director Finance and Corporate Services.
- 4.5.4 Fife Council employees must not create any form of payment documentation on behalf of suppliers, unless for suppliers approved to be on the self-billing scheme.
- 4.5.5 Fife Council employees must not add or remove any item from an invoice or any other supplier documentation used for making payments. This includes processing invoices and credits together as one document.
- 4.5.6 Proper provision must be made for the examination, verification, authorisation and expenditure allocation of invoices and claims. As part of the approval for payment process, they will provide for the matching of invoices with orders and records of supplies, services and works received to the extent that the following checks will be carried out and evidenced:

- the goods, services or work to which the account relates have been received or carried out. They have been examined and approved and deemed to be satisfactory as regards quality and quantity and conform to the official order;
  - the price, extensions, calculations, trade discounts, other allowance credits and VAT, where appropriate, are correct;
  - the expenditure has been properly incurred and is within the budget and the invoice has been correctly coded;
  - the invoice has not previously been passed for payment;
  - the invoice is the proper liability of the Council;
  - if VAT applies, the invoice is a proper VAT document and the VAT element is properly chargeable, shown at the correct rate and allocated to the appropriate financial code; and
  - the order record has been annotated to show appropriate details of the supplies, services and works received and the payment made, in a manner that will prevent any duplicate payment.
- 4.5.7 Executive Directors must ensure that procedures are in place to update inventories and/or stock records on receipt. The relevant delivery documentation must be retained as per the Document Retention Schedule for internal control purposes.
- 4.5.8 Payment in advance is a business risk and should be avoided wherever possible. If all efforts to obtain goods and/or services by normal methods fail, payment in advance may be sanctioned by the Executive Director Finance and Corporate Services. Services must provide a business case to the Team Manager in Accounts Payable prior to entering any binding arrangement. B.A.C.S. is Fife Council's preferred method of payment and any other method must be sanctioned in advance by the Executive Director Finance and Corporate Services. Services should consult with Accounts Payable prior to entering any binding arrangement.
- 4.5.9 Executive Directors must issue internal procedures which comply with the ERP requirements covering ordering, receipting and matching processes. When NON POs are processed within a Service, this should also be done in accordance with the ERP guidance, including adherence to the NON PO Exceptions List. Authorisation limits for NON POs should mirror those of other transactions.
- 4.5.10 Invoices and claims must be verified and processed in the ERP Accounts Payable system or relevant feeder system timeously. To avoid penalty under Late Payment legislation, invoices must be in the Accounts Payable system in time to be paid in accordance with Fife Council's payment terms. All relevant discounts should be taken. Therefore, Executive Directors must ensure that all Service receipting and matching processes are completed timeously to allow for invoices to be processed within 21 calendar days of receipt unless held back due to dispute.
- 4.5.11 The Executive Director Finance and Corporate Services will be responsible for the provision of guidance and advice to Executive Directors on the application of Late Payment legislation. Compliance with the legislation will be the responsibility of Executive Directors.

- 4.5.12 The Executive Director Finance and Corporate Services may have any transaction entered into the ERP System examined. He/she will be entitled to any information and/or explanation required.
- 4.5.13 Subject to compliance with the Payment Regulations, the Executive Director Finance and Corporate Services shall pay all invoices and claims without undue delay. In scheduling the payment of invoices etc., the Executive Director Finance and Corporate Services must take account of contract terms and conditions, and the treasury management needs of the Council.
- 4.5.14 Under self-service processes in ERP the ordering of supplies, services and works, and receipting them, can be carried out by the same individual, although the process of certifying or processing the relative purchases and invoices for payment should be performed by different individuals. Where this is not practicable, the Executive Director Finance and Corporate Services shall be informed, in writing, and his/her agreement sought to such arrangements as deemed appropriate.
- 4.5.15 After the end of each financial year, and within the timetable laid down by the Executive Director Finance and Corporate Services, where necessary, each Executive Director shall notify the Executive Director Finance and Corporate Services of all outstanding invoices relating to the previous financial year.
- 4.5.16 As early as possible, each Executive Director will be responsible for notifying the Executive Director Finance and Corporate Services of all other claims upon the Council which involve, or may involve, the Council in the disbursement of money and, in any event, will provide the Executive Director Finance and Corporate Services with a summary of these at the end of each financial year in the manner and timetable set by the Executive Director Finance and Corporate Services.
- 4.5.17 In consultation with appropriate Executive Directors, the Executive Director Finance and Corporate Services shall be responsible for ensuring that adequate arrangements are made for the notification to him/her of any cessation or change of user affecting rents or payments in connection with contracts, leases and any other agreements.
- 4.5.18 Executive Directors shall be responsible for ensuring that adequate arrangements are made to monitor contracts, property leases, operating leases, equipment hires and any other periodic payment agreements and ensure that periods of notice are actioned by notification to the supplier and the Executive Director Finance and Corporate Services so as to minimise payments for non or changed use.
- 4.5.19 In consultation with appropriate Executive Directors, the Executive Director Finance and Corporate Services shall be responsible for ensuring that adequate arrangements are made for the notification to him/her of any acquisitions, disposals or vacancies in properties that may affect the rates or other financial charges on the properties.

### **Purchasing Cards**

- 4.5.20 The Executive Director Finance and Corporate Services, or such Officers authorised by the Executive Director Finance and Corporate Services, shall be

responsible for signing applications for issuing of purchasing cards, duly applied for by Services.

- 4.5.21 Executive Directors will be responsible for ensuring that proper procedures are prepared and maintained, and records are kept, to support the use of purchasing cards including payment of accounts, in line with guidance provided by the Executive Director Finance and Corporate Services.
- 4.5.22 Purchases made using purchasing cards should take due account of any procurement contracts that the Council may have in place.

## **4.6 Tax Management, Including VAT**

**VAT affects many of the Council's transactions, but so do other taxes, and this can have a significant impact on the Council's finances and staff workload. This section summarises the Council's requirements for the management of all taxes. It includes:**

- **allocation of responsibility for taxation and the appointment of professional advisers to the Executive Director Finance and Corporate Services; and**
- **the requirement for Executive Directors and Heads of Service to consult the Executive Director Finance and Corporate Services on transactions which may have tax implications.**

**Periodically the Council is inspected by HM Revenue and Customs (HMRC). These inspections may result in the imposition of penalties for non-compliance with tax law. Therefore, it is essential that Executive Directors ensure that they and Service staff are aware of any relevant taxation matters and that where necessary they obtain guidance from the Accounting and Ledger Control Section of the Finance and Corporate Services.**

**Procedures for obtaining guidance on VAT is available on Fish.**

- 4.6.1 The Executive Director Finance and Corporate Services will be responsible for the taxation procedures of the Council, ensuring where possible, that tax liabilities and obligations are properly reported and accounted for, avoiding any possible losses.
- 4.6.2 In particular the Executive Director Finance and Corporate Services will be responsible for:
- ensuring that transactions comply with relevant statutory requirements and authorities;
  - minimising the Council's tax liability; and
  - maximising the Council's tax flow.
- 4.6.3 In carrying out such responsibilities the Executive Director Finance and Corporate Services will:
- define and allocate duties in relation to taxation and tax management;

- ensure that financial control systems operate effectively, produce the necessary information and minimise the risk of error;
  - ensure appropriate guidance is provided to employees involved in processing tax-related transactions;
  - ensure assistance is provided for any investigations undertaken by any Government Agency, and that justification for assessments made resulting from investigations are properly reviewed;
  - implement arrangements to monitor the execution of these responsibilities;
  - report any significant changes to the Council's tax affairs to the Policy and Co-ordination Committee; and
  - have unrestricted access to all documentation to assess the correct tax liability of the Council or that may affect the Council through any connected entity.
- 4.6.4 The Executive Director Finance and Corporate Services may appoint external tax specialists.
- 4.6.5 The Executive Director Finance and Corporate Services will be responsible for the dissemination of information on tax matters as appropriate. Executive Directors and Heads of Service will be responsible for implementing guidelines introduced by the Executive Director Finance and Corporate Services regarding any particular aspect of tax.
- 4.6.6 Where any transactions of a new, unusual or complex nature are being considered, Executive Directors and Heads of Service must consult with the Executive Director Finance and Corporate Services on the tax and accounting implications before presenting to Committee or committing the Council to any such new, unusual or complex arrangements in order to fully appraise all potential impacts on the Council.

#### **4.7 Stocks and Stores**

**Stocks and stores are defined as items used in the delivery of a service - fuel, raw materials, ingredients, spare parts, cable, light bulbs, cement, wood, glass, sink units, piping and other similar items.**

**Stocks and stores are different from inventories which relate mainly to furniture and equipment and are dealt with in section 4.8.**

- 4.7.1 Each Executive Director shall be responsible for the care and custody of stocks and stores in his/her Services, including periodical stocktaking and test checks, ensuring that all stocks and stores are checked at least once in every financial year. Stocktaking guidelines shall be issued annually by the Executive Director Finance and Corporate Services as part of the year-end process and must be followed.
- 4.7.2 Stocks shall not be carried by any Service in excess of reasonable requirements, as determined by the Executive Director.
- 4.7.3 The Executive Director Finance and Corporate Services shall be entitled to receive from each Executive Director such information as he/she requires in

relation to stores for the accounting, costing and financial records. The Executive Director shall provide a certificate of stock held for future recharge or sale, to the Executive Director Finance and Corporate Services at the end of each financial year.

- 4.7.4 Each Executive Director shall report any stock adjustments arising from perpetual, periodical or year-end stock checks to the Executive Director Finance and Corporate Services. The Executive Director Finance and Corporate Services shall make the necessary financial and accounting record adjustments, after making any enquires and receiving such explanations as are required.
- 4.7.5 Where not needed elsewhere by Fife Council, surplus stocks and stores (and equipment) shall be disposed of by the Executive Director in accordance with disposal methods and procedures set out in Contract Standing Orders, Scheme of Tender Procedures.
- 4.7.6 Stocks and stores records must be kept in a form to be agreed by each Executive Director with the Executive Director Finance and Corporate Services.

#### **4.8 Inventories**

**Inventories relate to furniture, equipment and machinery, including computer equipment. These regulations apply in all Council establishments.**

**Inventories are different from Stocks and Stores which are dealt with in section 4.7.**

- 4.8.1 Each Executive Director shall maintain inventories, in such form as is specified by the Executive Director Finance and Corporate Services, of furniture, fittings, equipment (including all computer equipment), machinery, scientific apparatus and other valuable property. Such inventories should be kept up to date at all times.
- 4.8.2 Each Executive Director shall be responsible for checking all items on the inventory during the course of the year, for taking action in relation to identified surpluses or deficiencies, and for updating the inventory accordingly. Details of annual inventories should be held in a secure location by each Executive Director and provided, on request, to the Executive Director Finance and Corporate Services for asset register update.
- 4.8.3 Items on the Council's inventory shall not be removed from Council premises, otherwise than in accordance with the ordinary course of the Council's business, without the written approval of the Executive Director concerned.
- 4.8.4 Where not needed elsewhere by Fife Council, surplus inventory items shall be disposed of by the Executive Director in accordance with disposal methods and procedures set out in Contract Standing Orders, Scheme of Tender Procedures.

## **4.9 Payroll, Pensions and Travel and Subsistence**

**This section provides details of the responsibilities and processes for the administration and payment of payroll, pensions and travel and subsistence allowances.**

- 4.9.1 The Executive Director Finance and Corporate Services shall be responsible for the payment of all salaries, wages, pensions, compensation, travel expenses and other emoluments to all employees or former employees of the Council. This shall include the administration and regulation of travel and subsistence payments and pension administration.
- 4.9.2 Executive Directors shall conform to such guidance as shall be made by the Executive Director Finance and Corporate Services for the maintenance of controls, checks, submission of documents, records, procedures and timetables for computer data processing.
- 4.9.3 The determination of all salaries, wages and other emoluments and allowances (other than Travel and Subsistence allowances) shall be a matter for decision or delegation by the Policy and Co-ordination Committee.
- 4.9.4 Decisions relating to the payment of salaries, expenses and other allowances and changes to Conditions of Service, approved by the Council will be notified to the Executive Directors by the Executive Director Finance and Corporate Services. It shall be the responsibility of Executive Directors to implement such decisions.
- 4.9.5 Executive Directors will notify the Executive Director Finance and Corporate Services in a prescribed format and in accordance with approved timetables of all matters affecting payments in this section including:
- appointments, resignations, dismissals, suspensions, secondments and transfers;
  - absences from duty for sickness or other reasons apart from approved annual/flexi leave;
  - changes in remuneration, other than normal increments, pay awards and agreements of general application;
  - information necessary to maintain records of service for pensions, Income Tax and National Insurance purposes; and
  - any cases where employees have been paid incorrectly.
- 4.9.6 Executive Directors are responsible for ensuring that appointments of staff within their Service are made in accordance with the staff structures approved by the Council.
- 4.9.7 All payroll payments, including claims for car allowances, subsistence allowances, travel and incidental expenses and pension documents must be in a format approved by the Executive Director Finance and Corporate Services. These documents must be approved by an authorised manager on submission by the claimant.
- 4.9.8 Authorised approver lists are held on the appropriate systems with adequate approval around any amendments. These will be made available to the Executive Director Finance and Corporate Services by Executive Directors.

- 4.9.9 Approvers may only certify claims from officers junior to themselves. All claims by Heads of Service must be certified by an Executive Director, and those by Executive Directors by the Chief Executive.
- 4.9.10 Executive Directors should ensure that authorisation and internal control procedures are applied within the activity of payroll and pensions.
- 4.9.11 Certification of any claim by Executive Directors or nominated Officers indicates satisfaction as to the accuracy of the claim and that it agrees with all terms of the Travel and Subsistence Regulations.
- 4.9.12 Executive Directors will regularly review the arrangements in place within their Services for the certification of any claim to ensure that checks are being performed to the standards detailed in the Travel and Subsistence Regulations.
- 4.9.13 Executive Directors will timeously provide the Executive Director Finance and Corporate Services with any details required for the annual return of taxable emoluments.
- 4.9.14 The Executive Director Finance and Corporate Services will maintain a procedure to be applied in cases of incorrect payment to employees.
- 4.9.15 The Executive Director Finance and Corporate Services will be responsible for transmitting pension contributions to the Council Pension Fund and payment of statutory payroll deductions, including Income Tax and National Insurance, to HM Revenue and Customs within statutory timescales.

#### **4.10 Councillors' Remuneration and Expenses**

**This section details the Council's requirements for the payment of Councillors' Remuneration and Expenses and provides guidance on claims procedures.**

- 4.10.1 Payment of Councillors' Remuneration and Expenses will be in accordance with the 'Scheme for Councillors Remuneration and Expenses', as adopted by the Council.
- 4.10.2 Remuneration is based on four levels of payment, depending on the responsibilities of the Councillors. Payment of remuneration will be made in 13 equal instalments by the Executive Director Finance and Corporate Services. Councillors are not required to submit a claim for remuneration.
- 4.10.3 Fife Councillors may be appointed to a Joint Board as either a Convener or Vice Convener. Depending on the level of the remuneration the Councillor is receiving from Fife Council, they may be eligible to receive a higher remuneration. The level of this remuneration will be in accordance with the Councillors Remuneration, Allowances and Expenses Guidance from the Scottish Executive. The difference in the remuneration payable will be recouped from the relevant Joint Board.
- 4.10.4 Councillors are entitled to payment of travel and subsistence expenses or other expenditure reasonably incurred while on approved duties. Councillors are required to input claims through the Council's electronic self-service system and retain receipts in support of any expenses or allowances claimed. Details of the

timetable for submission and rates applicable are available from the Executive Director Finance and Corporate Services.

- 4.10.5 The Executive Director Finance and Corporate Services will maintain a Councillors' Register of all remuneration and expenses paid to or on behalf of Councillors under the Scheme, detailing name, amount and nature of payment. An annual publication of the Councillors' Remuneration and Expenses is available on Fife Direct.
- 4.10.6 The Executive Director Finance and Corporate Services will ensure procedures and controls are in place to process payments accurately under the Scheme.

#### **4.11 Payment of Contracts for Building, Construction or Engineering Work**

**This section deals with the regulations relating to the financial arrangements relating to contracts for work undertaken for building, construction and engineering work. These regulations should be read in conjunction with the Council's Standing Orders, List of Officer Powers and Scheme of Tender Procedures.**

- 4.11.1 All works contracts made by the Council, or by a Committee, or by any Officers exercising delegated powers, shall comply with the Standing Orders in relation to contracts made by the Council under Section 81 or the 1973 Act, as set out in the Council's Scheme of Tender Procedures and the procedures approved by the Executive Director Finance and Corporate Services. These Regulations deal with the financial arrangements necessary to carry through the various contracts. All tenders, contracts and orders must adhere to Council payment terms of 30 days from receipt of invoice and inform suppliers that payment will be by B.A.C.S.
- 4.11.2 Where work included in a tender is covered by the Construction Industry Scheme, the tender documentation must stipulate the requirement for tenderers to have Scheme registration, as appropriate. The Executive Director Finance and Corporate Services will be responsible for the provision of guidance and advice to Executive Directors on the application of the Construction Industry Scheme, compliance with which will be the responsibility of Executive Directors.
- 4.11.3 Payments to contractors on account of contracts shall be made by the Executive Director Finance and Corporate Services on an invoice derived from a certificate issued by the Executive Director or his nominated Officer who must be an authorised signatory previously notified to and agreed by the Executive Director Finance and Corporate Services. The certificate shall show the total value of the contract, the value of work executed, retention money, amount paid to date and amount now authorised for payment.
- 4.11.4 Every extra or variation on a contract for building or civil engineering work shall be authorised in writing by the appropriate Executive Directors or other responsible Officers (including representatives of professional firms under contract to the Council nominated in writing for the purpose).
- 4.11.5 If, on any occasion, the cumulative value of extras or variations exceeds, or is expected to exceed, the lower of £250,000 or 20% of the tendered contract price, the Executive Director shall report this, together with explanations therefore, to the appropriate Committee at the earliest opportunity. Thereafter, until completion of the contract, a report on contract progress, including details of further extras and variations, will be submitted to each subsequent meeting of the Committee.

Through the budget monitoring process, the Executive Director Finance and Corporate Services may make alternative arrangements with Executive Directors for the reporting of variations on lower value contracts.

- 4.11.6 Where invoices are forwarded to the Executive Director Finance and Corporate Services for amounts which exceed the appropriate capital estimates approved by the Council, and such excess is solely caused by a contractual liability, the Executive Director Finance and Corporate Services shall have authority to meet such invoices. In consultation with the Executive Director Finance and Corporate Services, the Executive Director responsible will report on the excess to the appropriate Committee.
- 4.11.7 In line with the Public Contracts (Scotland) Regulations 2012, to the extent considered necessary, the Executive Director Finance and Corporate Services shall require suppliers and contractors to provide information on their financial standing and he/she shall be entitled to make all enquires and receive such information and explanations as he/she may require.
- 4.11.8 In consultation with the Head of Legal Services and appropriate Executive Directors, the Executive Director Finance and Corporate Services will determine the arrangements for obtaining performance bonds/guarantees from contractors with regard to performance of contracts.

#### **4.12 Retention of Documents (Including Financial Documents)**

**This section outlines the Council's arrangements and policies for the retention of financial documents.**

**It is important that documents are retained not only for the smooth operation of the Council but also to comply with legal requirements imposed by, amongst others, HMRC (HM Revenue and Customs) and Grant Awarding Bodies (e.g. European Funding) which must be strictly adhered to.**

- 4.12.1 Full details of the document retention periods for all documents can be found in the Council's Document Retention Schedule and further guidance can be found in the Council's Records Management Policy.
- 4.12.2 The Council Records Manager will provide guidance to each Service on retention scheduling, the disposal (the selection for permanent preservation or destruction) of records and other records management issues. Financial records, including documentation relative to contracts for work done, services and supplies, will not be disposed of other than in accordance with arrangements approved by the Executive Director Finance and Corporate Services.
- 4.12.3 Executive Directors will be responsible for the implementation of the corporate records management policy within their Directorates. Each Service should assign responsibility for records management to a member of staff of appropriate seniority to act as Records Management Co-ordinator for their Service. This should be the same person as, or work closely with, the person who has responsibility for Data Protection and Freedom of Information.

- 4.12.4 All Executive Directors, with help from the Council Records Manager, will draw up retention schedules for their records. The schedules will state how long the records should be kept to comply with statutory requirements and business needs, and what the final disposal should be, i.e. destruction, review or permanent preservation. Each schedule should be approved by the Executive Director concerned and by the Executive Director Finance and Corporate Services.
- 4.12.5 The Council's Record Manager will co-ordinate the creation of a corporate retention schedule. Records Management Co-ordinators will regularly review and update the schedule.

## 5 RISK MANAGEMENT AND CONTROL OF RESOURCES

### 5.1 Property and Security

**This section relates to the security of all buildings, property, cash, stocks, stores, furniture and equipment.**

- 5.1.1 Each Executive Director shall be responsible for proper security at all times of the property (including access to buildings after opening hours), cash, stock, stores, furniture, equipment, etc., under his/her control.
- 5.1.2 Executive Directors must ensure that Services comply with directions on their responsibilities as the occupiers of Council premises, including monitoring and managing compliance with the buildings and installed plant sections of Fife Council's Health & Safety Framework for each location.
- 5.1.3 Each Executive Director shall consult with the Executive Director Finance and Corporate Services where special security arrangements are required and the Executive Director Finance and Corporate Services shall advise in any case where security appears to him/her to be inadequate.
- 5.1.4 Wherever appropriate, the Executive Director Finance and Corporate Services shall seek and take account of advice on security issues from other sources within the Council.
- 5.1.5 The Executive Director Finance and Corporate Services shall advise the maximum limits for cash holdings and these limits must not be exceeded except with the permission of the Executive Director Finance and Corporate Services.
- 5.1.6 Keys to safes and similar containers shall be carried by the nominated Officer, or held in a secure place if this is impracticable.
- 5.1.7 A register of key holders shall be held for each location. The Executive Director Finance and Corporate Services will advise on matters relating to information security. Wherever appropriate, he/she shall seek and take account of advice on security issues from other sources within the Council.
- 5.1.8 Arrangements for the security of Information Systems/Technology, and associated data, software and services are detailed in the **Information System Security Policies** which should be complied with at all times.

### 5.2 Information Governance and Security

**This section relates to the security and control of all forms of information and data held by the Council.**

- 5.2.1 Each Executive Director shall be responsible for the proper governance of information and data under his/her control.

- 5.2.2 The Executive Director Finance and Corporate Services advice on the collection, security, use and disposal of data and information must be followed at all times.
- 5.2.3 The Head of ICT is responsible for the security and storage of data while it is held within the Council's electronic infrastructure and the management of all risks relating to that infrastructure.

### **5.3 Gifts, Hospitality and Conduct**

**Councillors and employees are personally liable for their conduct and to this end the Council has Codes of Conduct for Councillors and Employees including Supplementary Guidance CC51 on Gifts and Hospitality.**

- 5.3.1 Executive Directors are responsible for ensuring that all staff are aware of the terms of the Code of Conduct for Employees, including Supplementary Guidance CC51 and that they comply with the conditions therein.
- 5.3.2 The Executive Director Finance and Corporate Services shall ensure that all Councillors have signed the declaration of acceptance of offer of office that includes an undertaking for Councillors to meet the requirements of **Councillors' Code of Conduct** in the performance of their functions.
- 5.3.3 In this regard, all Councillors will be issued with a copy of the Code and guidance issued by the Standards Commission.

### **5.4 Audit Services**

**This sections sets out the authority for the Executive Director Finance and Corporate Services to examine and evaluate the adequacy and effectiveness of corporate governance and internal control arrangements.**

- 5.4.1 The Executive Director Finance and Corporate Services shall arrange for the examination and evaluation of the adequacy and effectiveness of corporate governance and internal control, the efficiency with which resources are utilised and the quality of performance in carrying out operations of the Council by its Officers.
- 5.4.2 The Executive Director Finance and Corporate Services, or his/her authorised representative shall, with or without previous notice:
- have authority to enter any Council establishment at all reasonable times;
  - have access to all Council files, correspondence, documents and records including computer records;
  - require and receive explanations as necessary concerning any matter under examination; and
  - require any employee of the Council to produce cash, stores or any other Council property under his/her control.
- 5.4.3 The terms of reference and key aspects of the operation of the above arrangements will be set out in an Internal Audit Charter and Terms of Reference which will be approved by Standards and Audit Committee and amended as necessary from time to time.

- 5.4.4 Executive Directors and Heads of Service shall consult the Executive Director Finance and Corporate Services on development projects affecting any systems so that appropriate guidance may be given on systems affecting the financial operations of the Council.
- 5.4.5 Executive Directors and Heads of Service are required to notify the Executive Director Finance and Corporate Services immediately on becoming aware of all financial irregularities or suspected irregularities or of any circumstances which may suggest the possibility of irregularities, including those affecting cash, stores, contracts or property. The Executive Director Finance and Corporate Services shall inform the Chief Executive in cases where it appears to the Executive Director Finance and Corporate Services that there may be a criminal offence involved and shall take such steps, by way of investigation and report, as may be considered necessary.
- 5.4.6 In all circumstances of financial irregularity, if investigations indicate that there are reasonable grounds for believing that a criminal offence has occurred, the Executive Director Finance and Corporate Services will arrange for the matter to be reported to the Police as appropriate.
- 5.4.7 In the event that any transactions, activities or contracts initiated or under the direct supervision of the Executive Director Finance and Corporate Services are brought into question, the Chief Executive will assume the reporting arrangements which would otherwise be undertaken by the Executive Director Finance and Corporate Services.

## **5.5 Prevention and Detection of Fraud and Corruption**

**Fife Council recognises that its main protection against fraud and error is the diligence of employees and the alertness and good citizenship of the public at large. The Council's Strategy for the Prevention and Detection of Fraud and Corruption outlines the Council's approach to counter fraud and corruption.**

- 5.5.1 Fife Council will be robust in dealing with any financial malpractice, and can be expected to deal timeously and thoroughly with any person who attempts to defraud the Council or who engages in corrupt practices, whether they are Councillors, employees, consultants, contractors or other suppliers, benefit claimants, tenants or unrelated third parties.
- 5.5.2 All suspicions of impropriety must be reported to the Executive Director Finance and Corporate Services and will be investigated.
- 5.5.3 The Executive Director Finance and Corporate Services will arrange that matters are reported to the Police if there are reasonable grounds for believing that a criminal offence has been committed as appropriate.
- 5.5.4 The Council's Disciplinary Procedures will be used where the outcome of investigation indicates improper behaviour on the part of employees.
- 5.5.5 Where loss has been suffered through fraudulent activity, the Council will pursue the perpetrator for recovery, including taking appropriate legal action.

## **5.6 Risk Management and Insurances**

**This section provides details of the Council's arrangements and policies for risk management and Insurance arrangements.**

### **Risk Management**

**A Strategy and Policy for Risk Management has been approved by the Council. The Strategy provides for the continuous review, and management, of potential risk facing the Council. For the Strategy to be successful a risk awareness culture must form an integrated part of service delivery.**

- 5.6.1 It will be the responsibility of each Executive Director to manage those risks that affect their Service and to co-operate in the compilation of records that will assist in the evaluation and effective management of those risks. They will encourage all staff members to participate in risk reduction and bring to their attention the principles of risk management.
- 5.6.2 The Council will maintain and develop systems and procedures that identify, evaluate and economically eliminate or minimise those existing and anticipated risks which threaten the service delivery, assets, efficiency and public image of the Council.
- 5.6.3 In the course of service delivery, the Council will take all reasonable precautions to prevent injury to their employees or loss and damage to their property. In so doing, the Council will eliminate or reduce its exposure to liability risks and preserve a good public image which itself is an asset to this Council.
- 5.6.4 All employees will be encouraged to safeguard and preserve the assets that belong to the Council by the implementation of security awareness.
- 5.6.5 A reporting procedure will be maintained by the Executive Director Finance and Corporate Services whereby all incidents which have or could have resulted in loss are centrally recorded and used for comprehensive risk analysis that will identify costs, recurring losses and trends.
- 5.6.6 The Risk Management Strategy Group is responsible for preparing the Council's risk management policy and strategy. Executive Directors and Heads of Service are responsible for ensuring the policy and strategy are implemented effectively within their Service/area of responsibility.
- 5.6.7 Losses cannot be totally eliminated and those that are incurred must be financed either by retention or transfer. Careful consideration will be given to the economic viability of the different methods of risk financing. Those risks that may pose a threat to the Council's financial stability will be insured, where possible. Where losses are insured, premium allocation will take account of claims experience.

## **Insurance**

### **Guidance Note: Insurance Claims Procedure**

- 5.6.8 In consultation with other Executive Directors, the Executive Director Finance and Corporate Services shall be responsible for insurance management, including the appointment of brokers, advisers, underwriters, claims handlers and insurers, within the context of the Council's risk management strategy.
- 5.6.9 All Executive Directors and Heads of Service shall notify the Executive Director Finance and Corporate Services immediately of any loss, liability, damage or claim, or any incident which may give rise to a claim in connection with his/her Service or area of responsibility, whether or not covered by insurance.
- 5.6.10 All Executive Directors and Heads of Service shall give prompt notification to the Executive Director Finance and Corporate Services of all new risks to be considered for insurance and of any changes which could affect insurable risks.
- 5.6.11 All Executive Directors and Heads of Service will provide an annual return of fee income received from professional services provided to external bodies and additionally all Executive Directors and Heads of Service should advise the Executive Director Finance and Corporate Services of any new instances of provision of professional service to external bodies to allow appropriate professional indemnity insurance to be purchased.
- 5.6.12 All Executive Directors and Heads of Service shall notify the Executive Director Finance and Corporate Services immediately of any change to the delivery of services or functions either outsourced or in-sourced to allow appropriate insurances to be arranged.
- 5.6.13 The Executive Director Finance and Corporate Services shall arrange, annually or at such other period as he/she may consider necessary, for the review of all insurances in consultation with other Executive Directors and Heads of Service as appropriate. All Executive Directors and Heads of Service will provide information timeously in relation to such review.
- 5.6.14 All appropriate employees shall be included in a fidelity guarantee policy.
- 5.6.15 Insurance cover against accidents to Councillors of the Council shall be arranged as provided for in Section 86 of the 1973 Act. Personal accident cover shall also be effected for officers and other employees as may be agreed by the Council.
- 5.6.16 The List of Officer Powers sets out when Executive Directors and the Chief Executive are authorised to make ex gratia payments in cases not covered by insurance.
- 5.6.17 All Executive Directors and Heads of Service shall consult with the Executive Director Finance and Corporate Services and the Head of Legal Services regarding the terms of any indemnity which the Council is requested to give.

5.6.18 All Executive Directors and Heads of Service shall take due account of any recommendations proposed by the Council's insurers arising from a risk survey.

## **6 EXTERNAL FINANCIAL ARRANGEMENTS**

### **6.1 Awards to Voluntary Organisations and Individuals**

**This Section deals with awards of funding to voluntary organisations and individuals.**

**The Council is committed to the principles of the ‘Code of Guidance on Funding External Bodies and Following the Public Pound’ and as a result remains accountable to the public to ensure that its money is well spent.**

**The Council has developed the Voluntary Sector Monitoring and Evaluation Framework which provides guidance to ensure that effective systems of governance and control are in place. There is a need to ensure probity in the Council's support of the voluntary sector while maintaining its quality and flexibility of service.**

**6.1.1 Each Executive Director shall be responsible for ensuring that all awards to voluntary organisations and individuals are made in accordance with the Council's Voluntary Sector Monitoring and Evaluation Framework. In particular:**

- all non-recurring grants of under £5,000 from an approved scheme are made under delegated powers;
- any non-recurring grants of over £5,000 or outwith an approved scheme are approved in advance by the appropriate Committee;
- information on all non-recurring grants should be passed without delay to the Funding & Monitoring Team in Communities Directorate in order that a comprehensive, central database can be maintained and an annual report presented to Committee retrospectively;
- all recurring grants are approved in advance by Committee;
- all monitoring checks must be completed before grant awards are presented to Committee for decision-making; and
- recurring awards for under £10,000 should be made in a single payment; awards of over £10,000 should be paid quarterly.

### **6.2 Partnerships (including external Funding and working for third parties)**

**This section provides details of the Council's requirements regarding the application of Financial Regulations when the Council is working in partnership arrangement with other bodies.**

**A partnership can be defined as a long-term, mutually beneficial relationship involving close co-operation between parties having joint rights and responsibilities.**

## Partnerships

- 6.2.1 The Executive Director Finance and Corporate Services will advise Executive Directors on the effective controls required from such partnerships to ensure that the Council's resources are not wasted. Such advice should address the key elements of funding projects including scheme appraisal, risk and management appraisal, resourcing and transaction issues, and audit and security controls as well as ensuring that the appropriate budgetary management and control is in place.
- 6.2.2 Each Executive Director shall be responsible for ensuring that the tax implications for projects/ventures entered into with partner organisations are determined and investigated before the Council becomes contractually or otherwise obligated.
- 6.2.3 Executive Directors should ensure that prior to entering into agreements with external bodies that a risk management appraisal has been completed, that agreements and arrangements made do not impact adversely upon the services already provided by the Council, and that appropriate advice where necessary has been taken from the Head of Legal Services.
- 6.2.4 Executive Directors must also ensure that all agreements and arrangements are properly documented and that the Executive Director Finance and Corporate Services is provided with appropriate information to enable notes to be entered into the Council's Annual Accounts.
- 6.2.5 Executive Directors will ensure that a report of the performance and outcomes from all the partnerships are submitted to the appropriate Committee.
- 6.2.6 If the Council has in operation Joint Committees/Partnerships where the activity of such Committees/Partnerships are administered by Officers who may be Officers of the Council or other partners a Guidance Note relevant to these activities will be prepared, and should operate in conjunction with the sections in this document.
- 6.2.7 As part of its joint working with the Health Service under the Health and Social Care Partnership, the Council has agreed Health and Social Care Partnership Financial Regulations. As they effect the Council's operations, the Joint Future (Health and Social Care Partnership) Financial Regulations are in all respects subservient to these Financial Regulations.
- 6.2.8 Where any other partnership Financial Regulations are drawn up they will in all aspects be subservient to these Financial Regulations.

## **External Funding (e.g. Grants received)**

**External funding is potentially a very important source of income to the Council, but the conditions attached need to be carefully considered to ensure that they are compatible with the aims and objectives of the Council. While funds from external Agencies provide additional resources to enable the Council to deliver services to the local community, it has to be recognised that the funding may be linked to tight specifications and may not be flexible enough to link to the Council's overall plan.**

6.2.9 The Executive Director Finance and Corporate Services should ensure that arrangements are in place to receive and properly record such income in the Council's accounts, that audit and accounting requirements are met, and that the funding requirements are considered prior to entering into any agreements.

6.2.10 Executive Directors must ensure that the project progresses in accordance with the agreed terms and that all expenditure is properly incurred and recorded. They must also ensure that claims for funds are made by the due date.

## **Working for Third Parties**

**Current legislation enables the Council to provide a range of services to other bodies. Such work may enable a Unit or Service to maintain economies of scale and existing expertise. Arrangements must be in place to ensure that any risk associated with this work is minimised and that such work is intra vires.**

6.2.11 The Executive Director Finance and Corporate Services is responsible for the issue of any financial guidance regarding activity of this nature, including arrangements for the maintenance of contract registers.

6.2.12 For their part Executive Directors and Heads of Service must ensure that:

- the approval of relevant Committees is obtained before any negotiations are concluded to work for third parties;
- a register of all contracts entered into with third parties is maintained in accordance with procedures specified by the Executive Director Finance and Corporate Services;
- appropriate insurance arrangements are made;
- no contracts are subsidised by the Council without formal approval;
- wherever practicable, payment is received in advance of the delivery of the service;
- the Service has the appropriate expertise to undertake the contract;
- such contracts do not impact adversely upon the services provided by the Council;
- all contracts are properly documented; and
- the Executive Director Finance and Corporate Services is provided with appropriate information to enable notes to be entered into the Council's Annual Accounts.

### 6.3 State Aid

**State Aid Law is the means by which the European Commission regulates funding or subsidies granted by the State to an undertaking engaged in economic activity (“Undertaking”), to ensure that such State assistance does not adversely affect trade between Member States and undermine the functioning of the European common market. An award of State funding or subsidy comprising State Aid is unlawful unless it is granted under the terms of an exemption authorised by the European Commission or has been individually assessed and approved by the European Commission through its notification process. The potential consequences of awarding unlawful State Aid are that the aid payments and schemes can be suspended: the Undertaking receiving the aid may require to repay it with interest: a competitor could sue the State and the aid recipient for damages; and the EC could commence infringement procedures against the UK, possibly resulting in a fine.**

- 6.3.1 It shall be each Executive Director’s responsibility to ensure that the Council fully complies with State Aid Law in respect of any funding or subsidy granted by the Council to an Undertaking. Each Executive Director shall ensure that a State Aid Risk Assessment is undertaken where they consider that such funding or subsidy could potentially be subject to State Aid Law and a copy of the State Aid Risk Assessment should be forwarded to Legal Services. The Council is obliged to report any state aid spending for each calendar year to the Scottish Government State Aid Unit (and any aid granted in terms of the provisions relating to Services of General Economic Interest every two years). The Council’s reports to the Scottish Government are based on the State Aid Risk Assessments completed within those timeframes.
- 6.3.2 Where any funding or subsidy granted by the Council to an Undertaking is considered to be State Aid and is administered under Commission Regulation (EC) No 1407/2013 (relating to de minimis aid), the relevant Executive Director shall ensure that details of the grant of funding or subsidy (including a copy of the de minimis declaration signed by an Undertaking) are notified to Legal Services for inclusion in a State Aid de minimis database maintained by Legal Services.
- 6.3.3 Within one month of receipt of a relevant State Aid Risk Assessment, Legal Services shall provide the Scottish Government State Aid Unit with details of individual grants above 500,000 euros awarded under the State Aid Block Exemption Regulations to ensure the appropriate entry is recorded on the central EU database within 6 months of the date of award.

### 6.4 Shared Services

**Shared Services are arrangements where the Council collaborates with other public authorities to obtain works, goods or services. These types of arrangements are excluded from the full application of the Public Contracts (Scotland) Regulations 2015 and therefore do not need to be publicly tendered. However, there are rules governing the creation of a properly constituted shared service arrangement and these rules must be followed.**

- 6.4.1 Identification of a Shared Service arrangement should be undertaken following consultation with the Head of Revenue & Commercial Services and should only be entered into where the Executive Director of the relevant service can demonstrate that such arrangement represents best value to the Council.
- 6.4.2 Approval to enter into a Shared Service arrangement should be sought from the relevant Committee.
- 6.4.3 Shared Service arrangements may only be entered into on written terms and conditions approved by the relevant Executive Director following consultation with the Head of Legal Services.
- 6.4.4 Shared Service arrangements must comply with the European rules on such arrangements including that any payments due under such arrangements are only in respect of reimbursement of costs.
- 6.4.5 The Head of Revenue & Commercial Services shall maintain a register of agreements for shared services and each relevant Executive Director shall ensure that the prescribed information as detailed by the Head of Revenue & Commercial Services is communicated to him or her on an annual basis.
- 6.4.6 All Shared Service arrangements should be subject to review and renewal of approval at least every four years.

## **6.5 Sponsorship**

**Sponsorship is defined as “Any commercial agreement by which a sponsor, for the mutual benefit of the sponsor and the sponsored party, contractually provides financing or other support in order to establish an association between the sponsor’s image, brands or products and a sponsorship property in return for rights to promote this association and/or for the granting of certain agreed direct or indirect benefits”.**

- 6.5.1 Commercial Sponsorship arrangements must comply with the Fife Council Policy and Procedures on Commercial Sponsorships in the Public Sector.
- 6.5.2 Commercial Sponsorship will be co-ordinated by the Head of Revenue & Commercial Services who will maintain a central register of all commercial sponsorship agreements.
- 6.5.3 All commercial sponsorship agreements must be based on a written agreement. For agreements with a value less than £10,000, an exchange of letters will be sufficient evidence of a written agreement. For agreements with a value in excess of £10,000, a full contract is required.

### **Audit**

- 6.5.4 Any terms and regulations relating to the above activities should include reference to the fact that they are subject to review by the Council’s Audit Services.

## **6.6 External Audit**

**The Local Government (Scotland) Act 1973 requires the annual accounts of every local authority to be audited. This is independent of the Council and is arranged through the Accounts Commission for Scotland as part of their role in checking that public money is spent properly, efficiently and effectively.**

**The Council's Annual Accounts contain the Independent Auditor's Report to the Councillors and the Accounts Commission. A more detailed Annual Report on the Audit to the Council and the Controller of Audit is published on the Audit Scotland website.**

**This section outlines some of the powers exercised by the Council's External Auditors.**

6.6.1 The Council's External Auditors shall, with or without previous notice:

- have authority to enter any Council establishment at all reasonable times;
- have access to all Council files, correspondence, documents and records including computer records;
- require and receive explanations as necessary concerning any matter under examination; and
- require any employee of the Council to produce cash, stores or any other Council property under his/her control.

6.6.2 The senior member of the External Audit team has right of free and confidential access to the Chair of the Standards and Audit Committee, in order to raise such concern as they may have.