



SHETLAND ISLANDS COUNCIL

CONSTITUTION

PART D

FINANCIAL REGULATIONS 2017

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1. OVERVIEW

1.1 Introduction

Financial Regulations

- 1.1.1 The Council positively promotes the principles of sound corporate governance within all areas of the Council's affairs. Supporting this, the documents governing the conduct of local government business conventionally fall into three categories: corporate standing orders (broad strategic statements), regulations (more detailed aspects of control) and practitioners' manuals/guidance notes (basic details describing particular work procedures). In this Council the first two requirements are covered by the **Standing Orders for Meetings, Scheme of Administration and Delegations, Contract Standing Orders, Scheme of Remuneration and Approved Duties** and the **Financial Regulations**, which deal with both corporate standing orders and regulations. These main documents are backed up as necessary by a range of practitioners' manuals/guidance notes, which are referred to as appropriate.
- 1.1.2 The Financial Regulations constitute the fifth of the five main documents referred to in 1.1.1 and set out the framework for the proper 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.
- 1.1.3 The Financial Regulations apply to every Councillor and employee of the Council and anyone acting on its behalf and are intended to enable staff to carry out their jobs in an efficient and effective manner and free from the risk of being accused of impropriety. All officers must be familiar with and apply the Financial Regulations in relation to carrying out their duties. The practitioners' manuals/guidance notes will be of less general relevance and are mainly aimed at specialists in particular fields. 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 Manager - Finance, or nominated representative. The Executive Manager - Finance holds the responsibility for ensuring compliance with the legislation governing the proper administration of the Council's financial affairs (see paragraph 1.2.5 below). This role is sometimes referred to as the 'Proper Officer', 'Section 95 Officer' or the 'Chief Financial Adviser'. The Council's Scheme of Administration and Delegations refers to the 'Chief Finance Officer'.
- 1.1.4 These Regulations are designed to facilitate the smooth running of the Council and to protect its interests and the interests of its Councillors and its Officers. The following regulations are made for the proper administration of all the Council's financial affairs.
- 1.1.5 All staff and agents must comply with the Financial Regulations. The Executive Manager – Finance has to rely upon the whole financial

administration of the Council, this means that in carrying out all financial tasks staff and agents are working on behalf of the Executive Manager – Finance and as such are expected to maintain an attention to detail, apply procedures and be diligent in the completion of their work.

Content of the Financial Regulations

- 1.1.6 The Financial Regulations identify the financial responsibilities of the Council, Councillors, employees, the Head of Paid Service (Chief Executive), the Monitoring Officer (Executive Manager - Governance and Law), the Chief Finance Officer (Executive Manager - Finance), Directors and Executive Managers and for staff who hold financial responsibility within their jobs or undertake financial administration tasks.
- 1.1.7 The Financial Regulations are set out under a number of broad sections. Each section contains an explanation of the relevance of that area, a set of regulations and, where necessary, reference to supporting detailed guidance.
- 1.1.8 All Councillors, employees and agents 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 notes. Compliance with the Financial Regulations is compulsory. If any difficulty is encountered in practice with the Financial Regulations or no provision is applicable to a particular circumstance then the matter should be immediately raised with the Executive Manager - Finance.
- 1.2.2 Any contravention of, or potential non-compliance with, these Financial Regulations must be reported immediately to the Executive Manager - Finance, who may discuss the matter with the Chief Executive and any other Director or Executive Manager, as appropriate, to determine any action to be taken.
- 1.2.3 These Financial Regulations will be applied and interpreted in a manner that takes account of the provisions contained within the Council's Standing Orders for Meetings, Scheme of Administration and Delegations, and Contract Standing Orders.
- 1.2.4 Any employee acting within the terms of a joint committee or partnership should refer to the governance arrangements relevant to that Committee/Partnership, in addition to these Financial Regulations. It should be noted that any such arrangements are, in all respects, subservient to these Financial Regulations.

- 1.2.5 These Financial Regulations are made by Shetland Islands 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 shall 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 (the 2014 Regulations) place upon the Proper Officer the duty to determine the system of accounting control and the form of accounts and supporting records, and to ensure that these accounts and records are kept up to date.
- 1.2.7 For the purposes of the 1973 Act and the 2014 Regulations, the Proper Officer is the Executive Manager - Finance of Shetland Islands Council. These Financial Regulations are a major element of the “proper administration of the Council’s financial affairs”.
- 1.2.8 The Local Government in Scotland Act 2003 requires the Council to make arrangements which secure best value in all that it does. The ‘Best Value Regime’ also requires the Council to seek best value by pursuing continuous improvement in all areas of activity. This expands on the definition of value for money to ensure that the Council has due regard for the need to compare services with other providers and also to consult with users and stakeholders on an appropriate level and quality of service to meet their needs and aspirations.

1.3 Responsibilities

Roles – Chief Financial Officer (namely Executive Manager – Finance)

- 1.3.1 The Executive Manager - Finance shall act as Proper Officer in terms of Section 95 of the 1973 Act, s35 of the 2003 Act and the appropriate provisions of The Prudential Code for Capital Finance in Local Authorities, and, accordingly, shall be responsible for the proper administration of the financial affairs of the Council.
- 1.3.2 The Executive Manager - Finance shall be responsible for issuing instructions 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 Executive Manager - Finance shall be responsible for the provision of financial advice, including the interpretation of the Council’s financial policies, strategies and circumstances. The Council, each Committee, each Councillor and each Officer of the Council shall be entitled to such financial information or advice as is reasonably required for the performance of their duties. The Executive Manager - Finance shall, when such a requirement is

identified, be responsible for providing that assistance in a reasonable timescale and a suitable format.

- 1.3.4 The 2014 Regulations require that, subject to any statutory requirements and to any instructions given to the Proper Officer (as defined in Regulation 1.3.1 above), the Council's system of accounting control and the form of accounts and supporting records should be determined by the Proper Officer and that he/she shall ensure that the system of accounting control is observed and that the accounts and supporting records are kept up to date.
- 1.3.5 Where, in these Financial Regulations, procedures, systems, documents, instructions, etc. require to be provided or approved by the Executive Manager - Finance, alterations can only be made with his/her approval.
- 1.3.6 The Executive Manager - Finance shall be consulted by Directors and Executive Managers on all reports to Committees. The Executive Manager - Finance must be satisfied that the financial implications are adequately and fully explained within each report. Where reports are deficient in outlining the financial implications of any proposal, the Executive Manager - Finance shall require the relevant Director to include the relevant financial implications.
- 1.3.7 All reports shall be submitted in a timely manner to the Executive Manager - Finance for comment prior to their inclusion on an agenda.
- 1.3.8 In the event of the Executive Manager - Finance reporting to Committees on matters of financial implication to individual Services, other than of a strategic nature, he/she shall consult affected Managers as necessary.

Roles – Chief Executive / Directors / Executive Managers

- 1.3.9 The Chief Executive, Directors and Executive Managers will be responsible for ensuring that reports submitted to Committees by them containing proposals which have financial implications are discussed and agreed with the Executive Manager - Finance prior to such reports being submitted to the Committee.
- 1.3.10 The Chief Executive, Directors and Executive Managers shall be responsible for ensuring that the Financial Regulations are complied with in respect of matters falling within their jurisdiction.
- 1.3.11 The Chief Executive, each Director and Executive Manager shall provide the Executive Manager - Finance with a list of authorised signatories together with specimen signatures, details of the areas of responsibility. The financial limits of authorisation of each employee are determined by the Executive Manager – Finance. An annual review of authorised signatory database will be undertaken by the Executive Manager – Finance.

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 Use of Council Vehicles and the ICT Security Policy (on the personal use of computer equipment) etc. These can all be found on the Council's Intranet, along with the Council's Code of Conduct for Employees and the Councillor's Code of Conduct which also refer to the appropriate use of resources.
- 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 Executive Manager – Finance.
- 1.3.14 All Councillors and employees of the Council should strive to provide value for money, achieve best value 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 an absolute responsibility that all such matters are not disclosed except to authorised personnel.
- 1.3.16 Councillors and employees who serve in a decision-making capacity as members 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 result in a conflict of interest. Guidance on this subject is contained with the Code of Conduct for Employees and the Councillor's Code of Conduct.
- 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 Reporting Concerns at Work policy.
- 1.3.18 All Councillors and employees of the Council are responsible for adhering with the Council's Codes of Conduct which set out the way that they should behave towards one another. Councillors and employees should work in an atmosphere of mutual trust and respect, with neither party seeking to take unfair advantage of their position.

Delegation

- 1.3.19 Where a Manager has delegated authority, financial decisions should be further delegated to the lowest appropriate level as close to the point of service delivery as is appropriate in the circumstances. In such circumstances the Manager will normally retain ultimate responsibility and accountability for the related budget. This further delegation should be outlined in a Service Scheme of Delegation. The exception to this general regulation applies within Children's Services where Head Teachers shall be responsible for the Devolved School Management Scheme.

1.4 Corporate Governance

- 1.4.1 Corporate governance is about the structures and processes for decision making and accountability, controls and behaviour throughout the Council. The fundamental principles of corporate governance are:

Openness: anyone with an interest in the Council's affairs should have confidence in the decision making and management processes and the individuals involved in them. This confidence is gained through openness in the Council's affairs and by providing full, accurate and clear information which leads to effective and timely action and scrutiny.

Integrity: there should be honesty, selflessness, objectivity and high standards of propriety and probity in the stewardship of the Council's funds and the management of the Council's financial affairs. Integrity is dependent on the effectiveness of the control framework and on the personal standards and professionalism of Councillors and employees.

Accountability: there needs to be a clear understanding by everyone involved in the Council's affairs of their roles and responsibilities. There should also be a process which provides appropriate external scrutiny of the decisions and actions of those involved in the Council's affairs including the stewardship of the Council's funds and performance.

- 1.4.2 These Financial Regulations supported by guidance notes and practitioners' manuals are an essential component of the Corporate Governance of the Council.

- 1.4.3 The Council, in order to demonstrate that it is complying with these fundamental principles will need to ensure that its systems and processes are:

- monitored for their efficiency and effectiveness in practice; and

- subject to review on a continuous basis to ensure that they are up to date.

1.4.4 To ensure compliance with good governance the Executive Manager – Governance and Law is responsible for providing the Audit Committee with a review of the Council’s Code of Corporate Governance on an annual basis.

1.5 Review of Financial Regulations

1.5.1 This document is intended to be a useful and live document. The Financial Regulations will be reviewed as necessary and at least bi-annually by the Executive Manager - Finance who will report any changes, other than minor procedural ones, to Council. All references in these Regulations to practitioners’ manuals/guidance notes and other relevant documents shall be kept as up to date as possible, but it is implicit that any references relate to any current equivalent in the Council.

1.6 Definitions

1.6.1 These Regulations shall be known as the “Shetland Islands Council Financial Regulations 2016” (Financial Regulations).

1.6.2 In these Regulations, unless the context otherwise requires, the following expressions shall have the meaning assigned to them, that is to say -

- “the 1973 Act” means the Local Government (Scotland) Act 1973, and any subsequent Regulations and Instruments pertaining thereto;
- “the 2003 Act” means the Local Government in Scotland Act 2003, and any subsequent Regulations and Instruments pertaining thereto;
- “Council” means Shetland Islands Council;
- “Committee” means all the committees of the Council, including equivalent or subsidiary committees, boards, forums etc.;
- “Manager” means the Chief Executive, Directors, Executive Managers and all other Officers designated as Manager by the Council; and
- “Officer” means employee or agent of the Council.

2. FINANCIAL PLANNING

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

2.1 Revenue Planning

Sections 2.1 and 2.2 detail the Council's requirements for the preparation of Estimates covering the medium term financial planning period, ie five financial years. Managers have a key role to play in supplying the Executive Manager - Finance 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 Managers the authority to incur appropriate expenditure so long as the expenditure is legal, in line with policy and can demonstrate to be value for money.

- 2.1.1 In consultation with the other Managers, the Executive Manager - Finance will be responsible for preparing a five-year revenue budget which, amongst other things, takes account of the revenue implications of the Asset Investment Plan. The revenue budget shall be driven by the Council's Planning and Performance Management Framework and specifically the service planning process, in order that resources are directed to priority areas. This shall form the budget that is agreed by the full Council, sets the value of Council Tax to be collected and shall be referred to as the approved budget by the Council.
- 2.1.2 Services shall prepare budgets, in conjunction with the Finance Service, in order that the budget for the Council can be agreed. The Executive Manager - Finance shall issue instructions on information required for budget meetings e.g. seminars, budget scrutiny groups, Corporate Management Team etc that the Directors / Executive Managers have responsibility for preparing.
- 2.1.3 Managers shall review charges on an annual basis in line with the Council's Charging Framework.
- 2.1.4 The Revenue Budget may be implemented by Managers 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.

2.2 Capital Planning

This section details the requirements for the preparation of the Council's five-year Asset Investment Plan (AIP) covering the medium term financial planning period. Managers have a key role to supply the Executive Manager - Finance and Executive Manager - Capital Programmes with accurate and timeous information. Council approval of the Asset Investment Plan gives Managers the authority to incur appropriate expenditure so long as the expenditure is legal and the Gateway Process for the Management of Capital Projects has been followed.

The Prudential Code requires Councils to agree and monitor a number of prudential indicators, including capital financing requirements and borrowing limits, in order to assess the affordability, prudence and sustainability of the Asset Investment Plan. Separate tests of affordability are required for each fund ie the Housing Revenue Account (HRA), the Harbour Account and the General Fund.

- 2.2.1 The Executive Manager - Finance shall 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 Manager - Finance in accordance with proper accounting practice and professional accounting regulations.
- 2.2.2 The Executive Manager - Capital Programmes and Executive Manager - Finance will annually submit to the Council the Five Year Asset Investment Plan.
- 2.2.3 The Executive Manager – Capital Programme will ensure through the Gateway Process for the Management of Capital Projects that the projects included in the AIP are linked with the Council's priorities as set out in the Corporate Plan.
- 2.2.4 To be able to be included in the Asset Investment Plan, all capital projects require to be assessed through the Gateway Process for the Capital Projects, irrespective of the identified funding stream. No capital expenditure should be incurred prior to the project being included in the Asset Investment Plan
- 2.2.5 Managers and the Executive Manager - Capital Programme will be responsible for ensuring that the Gateway process is followed properly.
- 2.2.6 The Executive Manager – Finance will determine how the Asset Investment Plan is to be funded in accordance with The Prudential Code for Capital Finance in Local Authorities.
- 2.2.7 Funding (including borrowing) for any projects will follow the procedures set out in the Borrowing Policy & Strategy and the Medium Term Financial Plan.

- 2.2.8 The Executive Manager – Finance is responsible for the preparation of the Prudential Code Indicators, which ensures the five-year Asset Investment Plan is within the affordable limits as set out in the Annual Treasury and Investment Strategy.
- 2.2.9 General Fund capital receipts are corporately managed and services cannot retain these to fund additional capital expenditure or earmarked them for future use. The Executive Manager – Finance will determine how capital receipts will be applied annually.
- 2.2.10 Housing Revenue Account capital receipts can only be applied to the Housing Revenue Account. The Executive Manager – Finance will determine how the capital receipts will be applied annually.
- 2.2.11 Harbour Account capital receipts can only be applied to the Harbour Account. The Executive Manager – Finance will determine how the capital receipts will be applied annually.
- 2.2.12 Once the Asset Investment Plan has been approved by the Council, the projects contained therein will be deemed to have approval to proceed provided that the total predicted cost (based on the arithmetically checked tender sum submitted by the preferred bidder and including fees) does not exceed the provision in the Asset Investment Plan,
- 2.2.13 Should the predicted cost be greater than the budget approved in the Asset Investment Plan then the procedures set out in the Contract Standing Orders required to be followed.
- 2.2.14 The purchase of individual items such as plant and equipment below the de minimus level (except for items classed as collective items), may form part of the revenue budget, therefore may not feature in the AIP. The classification of expenditure (capital or revenue) for accounting purposes will be determined by the Executive Manager – Finance. Where this results in the re-classification to capital expenditure it does not constitute any failure to follow the Gateway process for the Management of Capital Projects and will be funded in that single year from revenue budgets as capital from current revenue.

3. FINANCIAL MANAGEMENT

3.1 MONITORING OF REVENUE AND CAPITAL, EXPENDITURE AND INCOME

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

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.

- 3.1.1 The primary responsibility for detailed monitoring and control of Service budgets lies with the relevant Manager.
- 3.1.2 For each Council budget there is a named Budget Responsible Officer (BRO). The BRO is responsible for preparation, monitoring and control of that budget to their respective Manager. Typically most, if not all, budgets within a cost centre will be the responsibility of a single BRO. The exceptions may be items such as building maintenance costs, rates, etc, where there is a single BRO for all subjective budgets across the Council (i.e. across many cost centres). The Accountancy Service maintains a register of BROs matched to each budget in the Council and should be consulted if clarification or change is required.
- 3.1.3 The Executive Manager - Finance has a responsibility to ensure that detailed monitoring by Directors and Executive Managers is carried out and that relevant financial information is provided in a format and within a suitable timescale to allow such monitoring. In this regard the Executive Manager - Finance shall provide BROs with financial statements of income and expenditure compared with the approved budget on a regular basis and BROs shall be entitled to receive any clarification deemed necessary on any item of expenditure or income.
- 3.1.4 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 monthly basis.
- 3.1.5 The Executive Manager – Finance will determine the reporting content, timescale, frequency and receiving Committees required for monitoring statements.
- 3.1.6 The Executive Manager – Finance may instruct that specific reports be presented to the Policy & Resources Committee where it is deemed necessary to address a financially significant variance.
- 3.1.7 The Executive Managers for Capital Programme and Finance will manage the Asset Investment Plan to ensure expenditure meets the overall target

set by the Council. All changes to the Asset Investment Plan will be reported to Policy & Resources Committee for approval in the first instance.

- 3.1.8 As early as possible, and no later than 30 June, in the succeeding financial year, the Executive Manager - Finance will submit, to the Council, a report setting out the draft outturn position for the previous financial year compared with the budget, together with an explanation of major variances.
- 3.1.9 Managers shall provide all information requested in the year end accounting instructions issued by the Executive Manager - Finance and comply with the timetable in order to ensure that the annual accounts can be completed in line with the statutory deadline.
- 3.1.10 The Annual Accounts will be prepared in accordance with International Financial Reporting Standards (IFRS). The Controller of Audit is required to receive the draft accounts no later than 30 June and the audited accounts no later than the 30 September of the same year. The accounts must also be reported to the Council by the same deadlines.

3.2 CHANGES TO APPROVED BUDGETS

This section details the arrangements for transferring budgets from one head of expenditure to another. This is known as budget virements and the facility provides Managers with flexibility to change budgets within authorised levels, in order that services can be delivered. The Budget Book that is published contains the approved budget for each Service that the Council expect to be delivered. Therefore any changes to budgets shall be made in accordance with virement rules.

- 3.2.1 The Council's approval of the Budget Book including the Asset Investment Plan gives Managers the authority to incur expenditure in line with these approved budgets in the provision of their service.
- 3.2.2 There is one exception, additional authority from the functional Committee is required to make third party grants and payments where a budget has already been approved for this purpose by the Council. Third party grants and payments can be made without this approval if they form part of an approved delegated scheme. If no budget has already been approved by the Council for this purpose then normal virement rules would apply to create a budget or if supplementary budget is required further approval would require to be sought from the Council..
- 3.2.2 Expenditure cannot be incurred where there is no provision within revenue or capital budgets. All reasonable efforts should be made to ensure that expenditure is incurred for the purposes, and in the amounts, approved by the Council. Decisions regarding additional resources including supplementary estimates can only be approved by the Council.

- 3.2.4 Virement is the power to transfer resources between approved budgets. The governing principle is that BROs should pursue the service outputs determined by the Council, and should have sufficient flexibility over the inputs to concentrate on that objective. BROs have full flexibility within each cost centre (on controllable budgets), i.e. there is no need to carry out virements within a cost centre as long as expenditure can be fully met within that cost centre.
- 3.2.5 Virement between cost centres is governed by the following principles:
- a) Virements within the same service area are allowed without limitation where there is no overall impact on the service outcomes approved by the Committee/Council) (for example, between schools, between care centres, between ferries, between offices, etc) ;
 - b) Virements within a functional service area are allowed without limitation, so long as there are genuine reasons where the movement of inputs does not impact on the service outcomes agreed by Committee/Council (for example, there may be movement between winter maintenance and road repairs during periods of bad weather, or movement between direct care costs and Direct Payment Allowances, depending on the choice of care package, or between a school and the home school service, depending on where a pupil is to be educated);
 - c) Virements cannot be used to create a scenario where Directors can extend or increase the ongoing commitments to deliver a service outwith the Directorate Plan. All significant service need increases shall be reported to Committee/Council individually or be considered as part of the annual revenue and capital budget process;
 - d) Any significant variations to budget in excess of £100,000 shall be drawn to the attention of the Committee/Council through the regular revenue and capital monitoring reports.
 - e) Any new and unforeseen demands in excess of £250,000 shall be separately reported to Committee/Council for approval (even if the costs can be met from virements from other budgets);
- 3.2.6 Any income received during the year which is in excess of that budgeted for should be reported to the relevant Committee if over £100,000 and to the Council when in excess of £250,000. This will normally form part of the quarterly monitoring reports unless the Executive Manager – Finance determines that a specific report is required to be written by the Executive Manager concerned to either a functional Committee or the Council. The budget transfer guidance referred to in 3.2.5 above also applies to additional income received.
- 3.2.7 Any proposal to include a new capital project, or to increase the financial provision for an existing project, within the Asset Investment Plan has to follow the normal Gateway Process for the Management of Capital Projects.

- 3.2.8 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 Director and Executive Manager - Finance and thereafter to the Committee/Council.
- 3.2.9 For budget virements in respect of the Integrated Joint Board (IJB) please refer to the IJB Strategic document.

3.3 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.

- 3.3.1 The Executive Manager - Finance, as Proper Officer, is statutorily responsible for all financial matters in which the Council is involved. The Executive Manager - Finance shall be responsible to the Council for proposing regulations and controls to ensure the proper administration of the finances of the Council. In this regard the Executive Manager - Finance will issue guidance for procedural control which ensures that:
- All expenditure is a proper charge.
 - All income due to the Council is collected.
 - All assets are protected.
 - All liabilities are accounted for.
 - Proper financial reports are prepared.
 - Proper authorisation procedures are in place
- 3.3.2 The Executive Manager - Finance will ensure that the accounts are properly maintained and prepared in accordance with Council Policy, the relevant legislation and appropriate Codes of Practice.
- 3.3.3 The following will be carried out according to procedures and instructions issued by the Executive Manager - Finance:
- the determination of the format of financial records.
 - preparation of the statutory Accounts.
 - production of the Council's financial information in Service Plans including estimated revenue and capital expenditure.

- 3.3.4 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, shall 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 shall not themselves be engaged in any of these transactions.
 - Where the foregoing principles cannot be complied with it shall be the duty of the Senior Officer concerned to report such details to the Executive Manager - Finance who will advise as to what steps should be taken.
 - All checking and authorisation undertaken by officers should be evidenced by initials or signature, whichever is appropriate, or by appropriately controlled electronic signatures.
- 3.3.5 Advice should be sought from the Executive Manager – Finance for claims, returns or written submissions relating to grants and financial statistics prior to submission. Where the Executive Manager – Finance is required to sign-off any claims, returns or written submissions early notification is required to be given to the Executive Manager – Finance.
- 3.3.6 No financial sums or other assets in excess of £10,000 shall be written out of the main accounts or subsidiary records of the Council except by the Executive Manager - Finance who shall report all such sums written off to the Council. Sums or other assets (including salary overpayments) of less than £10,000 may be written out of the main accounts or subsidiary records of the Council with the express authority of the Executive Manager - Finance.
- 3.3.7 Financial records, including documentation relative to contracts for work done, services and supplies, shall not be disposed of other than in accordance with the Records Management Strategic Policy and Document Retention and Destruction Schedule.

Leasing

- 3.3.8 Where an asset is proposed to be acquired or created by a leasing arrangement. The Executive Manager – Finance is responsible for determining if a lease is appropriate and the financial arrangements of the leasing agreement to be made with a leasing organisation. The Manager proposing the acquisition/lease must consult with the Executive Managers of Finance and Capital Programme.

3.4 SHETLAND ISLANDS COUNCIL PENSION FUND MANAGEMENT

This section outlines the administration and investment regulatory requirements and procedures for the management of the Council's Pension Fund.

- 3.4.1 The Public Service Pensions Act 2013 required the Council to establish a new pension scheme governance structure. Under the Local Government Pension Scheme (Governance) (Scotland) Regulations 2015, responsibility for the management of the Pension Fund is carried out by the Pension Committee and the Pension Board.
- 3.4.2 As set out in its own Terms of Reference the Pension Fund Committee has the power to discharge all functions and responsibilities relating to the Council's role as administering authority for the Shetland Islands Council Pension Fund (the Pension Fund) in terms of the Local Government (Scotland) Act 1994, the Superannuation Act 1972 and the Public Service Pensions Act 2013.
- 3.4.3 For the purposes of the 1973 Act and the 2014 Regulations, the Proper Officer is the Executive Manager - Finance of Shetland Islands Council, who has the duty to ensure "proper administration of the Council's financial affairs".
- 3.4.4 The Local Government Pension Scheme (Management and Investment of Funds) (Scotland) Regulations 2010 requires the Council as a Pension Administering Authority of the Local Government Scheme (LGPS) to prepare, maintain and publish a Statement of Investment Principles governing the Pension Committee's decisions about investments.
- 3.4.5 The administration of pension payments and other benefits is carried out in accordance with the Local Government Pension Scheme (Scotland) Regulations 2014 (as amended) and the Local Government Pension Scheme (Transitional Provisions and Savings) (Scotland) Regulations 2014. This includes carrying out a Valuation of the Pension Fund every 3 years by an Actuary appointed by the Fund. The Fund also requires to maintain and keep under review a Funding Strategy Statement for the Fund.
- 3.4.6 Within the context of the Pension Fund's Funding Strategy Statement:
- The Executive Manager – Finance will ensure the Pension Fund receives the proper amount of contributions from employees and employers, and any other transfer payments;
 - The Executive Manager – Finance will ensure contributions received are invested appropriately, with the aim that the Pension Fund's assets grow over time with investment income and capital growth;
 - The Executive Manager – Finance will ensure assets are used appropriately to pay Pension Fund benefits to the members (as and

when they retire, for the rest of their lives), and to their dependants (as and when members die), as defined in the LGPS Regulations. Assets are also used to pay transfer values and administration costs.

- 3.4.7 The Executive Manager – Finance will submit to the Pension Committee and Pension Board proposals for the administration and investment procedures of the Pension Fund.
- 3.4.8 The investment strategy is reviewed every three years after the results of the actuarial valuation is known, to ensure the overall long term Pension Fund investments are in line with its objectives.
- 3.4.9 The Council through its adoption of the CIPFA Code of Practice for Treasury Management in the Public Services 2011 delegates the execution and administration of treasury management decisions to the Executive Manager-Finance, or such Officers authorised by the Executive Manager - Finance.
- 3.4.10 In the context of the approved investment procedures, the Executive Manager - Finance will ensure as a minimum the submission of the Mid-Year Review report and the Annual Investment report to the Pension Committee and Pension Board. This will be supplemented by presentations from Fund Managers, Pension Fund Custodian and any advisors or consultants as is deemed necessary by the Executive Manager - Finance.
- 3.4.11 The Executive Manager – Finance shall be responsible for the identification and control of risk for the Pension Fund. The Executive Manager – Finance will report quarterly to the Pension Committee and Pension Board in respect of all risk matters impacting the Pension Fund.
- 3.4.12 The Pension Fund shall be subject to internal and external audit appointments as Shetland Islands Council. Both internal and external audit function shall report to the Pensions Committee and Pension Board as well as reporting to the Council's Audit Committee.
- 3.4.13 The Executive Manager - Finance will submit to the Pension Committee and Pension Board the following reports, Pension Fund quarterly Management Accounts, quarterly Investment Reviews, External Audit and Actuarial reports and the Audited Pension Accounts.

3.5 TREASURY MANAGEMENT

The Council has adopted the Revised CIPFA Code of Practice for Treasury Management in Public Services 2011 (The Code). This sets out three key principles:

- 1. The need to put in place formal and comprehensive objectives, policies and practices, strategies and reporting arrangements for the effective management and control of treasury management functions.**

2. That these documents make it clear that the effective management and control of risk are prime objectives of treasury management activities and clearly set out where responsibility lies within the organisation.
3. That there is pursuit of value for money in treasury management and the use of suitable performance measures to support business/service objectives.

To meet the Code there is a suite of documents in place to support investment and treasury management. These are the 5-Year Investment Strategy, 5-Year Borrowing Policy and the Annual Investment and Treasury Strategy.

This section defines the Council's treasury management activities as "the management of the authority's investment and its 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 those risks.

- 3.5.1 Most of these functions are undertaken by the Treasury service, however, 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, staff can assist in improving savings on interest charges and cashflow by banking all income timeously and giving the Executive Manager - Finance advance notice of any large requests for payment or of anticipated large receipts.
- 3.5.2 In line with the Code, the Annual Investment and Treasury Strategy is approved by the Council prior to the start of each financial year, under direction from Policy & Resources Committee.
- 3.5.3 This document sets out the strategy and procedures that shall be adopted by the Council to carry out the functions of Treasury Management. The implementation monitoring of these functions are reported to the Policy and Resources and Council.
- 3.5.4 Should the Council require to borrow funds, the Council's Borrowing Policy is applied, this forms part of the Investment and Treasury Strategy and details when it is appropriate to borrow and the procedures to be followed.
- 3.5.5 The Executive Manager – Finance will determine which staff should be given authorisation to sign for payment of cheques, internet payment authorisations, transfers of money to and from fund managers and borrowing requests. A list is maintained by the Treasury service.
- 3.5.6 Managers are required to inform the Treasury Service of any large payments or receipts of cash as soon as these are known to assist with cash management.
- 3.5.7 Managers are required to provide appropriately authorised requests for any CHAPs payments to Treasury Management by 10.30am on the day they wish this to be processed as part of the daily on-online banking CHAPs

payments (clearing house automated payment system) is used for same day urgent payments or foreign payments.

- 3.5.8 The Council's banking contract for all daily banking services is for a five-year period. A tender process is conducted before awarding the contract.

3.6 INVESTMENT MANAGEMENT

This section outlines the procedures for the management of the Council and SIC Pension Fund investments with external fund managers.

The investment of the Council's and SIC Pension Fund's reserves are transferred to professional fund management companies that specialise in the management, administration, analysis and trading of assets such as unit trusts, equities and bonds. Due to the complexity of these investments and the associated risks of investing, the Council and SIC Pension Fund uses investment consultants and an independent investment performance measurement company to give advice and information. The investment performance of the fund managers are monitored and reviewed by the Council's Treasury service against set benchmarks and targets.

- 3.6.1 The Council reserves are invested under the Local Government Investments (Scotland) Regulations 2010, made under section 40 of the Local Government in Scotland Act 2003, and came into force on 1st April 2010. These Regulations require that a Local Authority may only invest money with the consent of Scottish Ministers, and a general consent was issued by the Scottish Ministers dated 1st April 2010, which sets out the conditions for permitted investments. Under the requirements attached to the consent the Council must receive specific reports. The Executive Manager - Finance will ensure this consent is complied with, and the submission of an Annual Investment and Treasury Strategy report before the start of the financial year, an Annual Investment Report after the financial year-end and a mid-year review are reported to Policy and Resources committee and the Council.
- 3.6.2 In addition to the specific reports covering the mid-year and year-end reports, quarterly monitoring reports are to be submitted for the quarters to end of June and December.
- 3.6.3 All investments on behalf of the Council shall be made in the name of the Council and invested as set out in the Annual Investment and Treasury Strategy. For the SIC Pension Fund, all investments on behalf of the SIC Pension Fund shall be made in the name of the SIC Pension Fund and invested as set out in the SIC Pension Fund Investment Strategy.
- 3.6.4 Any investment with a fund manager is governed by an Investment Management Agreement. This is a signed document by both the Council and the fund manager that covers all aspects of the investment, e.g. investment parameters, fees, benchmarks, authorised signatures etc.

- 3.6.5 Fund managers will give an annual performance review presentation to the Policy & Resources Committee, Council, Pension Board and Pension Committee after the financial year end, as well as providing weekly valuations and detailed quarterly reports.
- 3.6.6 All transfers of funds between the Council and fund managers require to be authorised by the Executive Manager - Finance, or by such officers approved by the Council for that purpose, with the transfer transacted by the Treasury service.
- 3.6.7 The Council's investment strategy is reviewed every five years to ensure it aligns with the Council's Medium Term Financial Plan. The SIC Pension Fund Investment Strategy is also reviewed every five years to ensure it continues to achieve returns sufficient to fully fund the SIC Pension Fund when it reaches maturity.

3.7 SMALL TRUST FUNDS

This section outlines the procedures for the management of the Council's Small Trust Funds.

- 3.7.1 Supervision of the investments of the Small Trust Funds and bequests will be by the Council, as trustees.
- 3.7.2 The Executive Manager - Finance will determine the investment procedures of the small Funds / Trusts.
- 3.7.3 Within the context of the approved administration and investment procedures, the Executive Manager - Finance will have the authority to decide upon specific purchases and sales of stocks, shares or any other investments.
- 3.7.4 All small Trust Funds shall be managed by, or under the supervision of, the Executive Manager - Finance subject to any statutory requirements and, wherever possible, be in the name of the Council.

3.8 BAD DEBTS

This section relates to the authority of the Executive Manager - Finance to write off bad debts and the reporting thereon. Additionally, it authorises the Executive Manager - Finance to lodge claims with the appropriate person when pursuing bad debts (See 3.8.3 below).

- 3.8.1 Once all methods of debt recovery in relation to outstanding debts have been exhausted, the Executive Manager - Finance, or nominated Officer, is empowered to write off any such sums as bad debts.

- 3.8.2 Write-offs for individual debtors in excess of £5,000 will be reported by the Executive Manager - Finance to the Council along with an annual summary of bad debts.
- 3.8.3 The Executive Manager - Finance 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.

3.9 TRADING OPERATIONS

This section covers the arrangements for the Council when operating a Trading Operation and in particular for a Significant Trading Operation (STO). Trading Operations are defined as providing a service in a competitive environment and on a basis other than straightforward recharge of cost.

Where a Council operates a Significant Trading Operation it is required to have statutory trading accounts and that it should break even over a three-year rolling period. Councils are also required to publish a performance report with the accounts.

- 3.9.1 Subject to any latest Council's Standing Orders, the Executive Manager - Finance 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.
- 3.9.2 Directors responsible for any trading operations of the Council shall ensure that they comply with any instructions issued by the Executive Manager – Finance with regard to Section 10 (1) and (2) of the 2003 Act.
- 3.9.3 The Council approved the criteria to be used in identifying Significant Trading Operations, based on:

Financial Criteria:

- Turnover: Trading Operations having an annual turnover more than 1% of the Council's Net Budgeted Expenditure

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; and
- 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.

3.9.5 Competitive tenders do not need to be invited, if any 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 of the Council's main bank accounts and those requested by Services. Services may operate bank accounts for Petty Cash Imprest and other such arrangements agreed with the Executive Manager - Finance.

- 4.1.1 The Executive Manager - Finance, or such Officers authorised by the Executive Manager - Finance, for that purpose, shall be responsible for issuing instructions in connection with the arrangements for opening 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 All pre-printed cheques on the Council's main banking account shall bear the facsimile signature of the Executive Manager - Finance and manual cheques must be signed by the Executive Manager - Finance, or by such Officers approved by the Executive Manager - Finance for that purpose. Pre-printed cheques require a second signature above £25,000 and manual cheques require a second signature above £10,000.
- 4.1.3 The Executive Manager - Finance, or such Officers authorised by the Executive Manager - Finance, for that purpose, shall be responsible for authorising all payments from or transfers between the Council's main bank accounts.
- 4.1.4 All bank accounts shall be reconciled to supporting records at regular monthly intervals and copies of reconciliations will be retained and if requested, shall be forwarded to the Executive Manager - Finance for review.
- 4.1.5 The Executive Manager - Finance, or such Officers authorised by the Executive Manager - Finance, 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.
- 4.1.6 On occasion Services will required specific bank accounts to be opened. No bank accounts will be opened without the authority of the Executive Manager - Finance. Those accounts opened and operated by Services will require two authorised signatories to execute instructions.
- 4.1.7 The detailed procedures for banking arrangements are set out in the Council's treasury management internal procedures.

- 4.1.8 Arrangements for electronic funds transfer shall be authorised by the Executive Manager - Finance or such Officers authorised by the Executive Manager - Finance.

4.2 INCOME COLLECTION

This section details the procedures and responsibilities for the collection and banking of income. Directors must ensure that all money collected by their staff is accounted for correctly and banked as soon as possible.

Guidance Notes: Debtors Policy/Cash Handling Procedures

- 4.2.1 The Executive Manager - Finance is responsible for ensuring that there are adequate arrangements in place to allow the collection of all income due to the Council. This does not absolve other Managers from their responsibility to ensure that they have proper arrangements in place for collection of monies at all locations and for all services provided.
- 4.2.2 All income received by an Officer of the Council must be paid to the Executive Manager - Finance or, where directed, to the Council's bank account without delay.
- 4.2.3 The Directors are responsible for ensuring that contracts, leases and other agreements entered into which involve the receipt of income for the Council are notified to the Executive Manager - Finance. The Executive Manager - Finance shall have the right to inspect any documents or other evidence in this connection as he/she may decide. Copies of all leases are required to be submitted to the Executive Manager - Finance, for the purpose of preparing the Final Accounts.
- 4.2.4 Where possible, **payment in advance** of the provision of goods and services is to be **actively encouraged at all times**, particularly so where the person/business are known bad payers or where the sums are considered to be uneconomical to pursue.
- 4.2.5 Any invoice below £30 is considered uneconomical to pursue and payment in advance is the preferred method of payment.
- 4.2.6 Goods or services supplied by the Council and not paid for at the time, must be subject to an official invoice raised via the Council's invoicing system administered by the Revenues Service. Managers are responsible for ensuring that all invoices are issued promptly, either in advance or within a short time of the service being provided, to ensure compliance with VAT Regulations, and to ensure that all details are properly recorded and actioned.
- 4.2.7 Personal cheques shall not be cashed out of money held on behalf of the Council.

- 4.2.8 Payments from income collected on behalf of the Council must only be made with the specific authority of the Executive Manager - Finance, and from specific locations. A full list of such payments and locations will be made available by the Executive Manager - Finance.
- 4.2.9 All transfers of official money between Council Officers shall be evidenced in the records of the Services concerned by the signature of both Officers.
- 4.2.10 The Executive Manager – Finance 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.
- 4.2.11 Where the design and ordering of receipts, documents etc, is delegated to other Services, the Directors of these other Services are responsible for ensuring that all such receipts and documents have approval for design from the Executive Manager - Finance. The Directors are responsible for ensuring that proper records of the issue and stocks of such receipts and documents are maintained.
- 4.2.12 Where the nature of income requires a receipt (e.g. cash), this must only be given on a form of receipt that has been approved by the Executive Manager - Finance.
- 4.2.13 All income collected on behalf of the Council must be notified at the earliest opportunity or within agreed timescales by completion of the appropriate form to the Executive Manager - Finance.
- 4.2.14 Each Executive Manager shall, as soon as possible after 31 March and not later than specified in the final accounts timetable, notify the Executive Manager - Finance of all outstanding income due but not received relating to the previous financial year.

4.3 ADVANCES – PETTY CASH, CASH FLOATS AND CASH IMPRESTS

This section provides guidance on the use of petty cash and cash floats, and one-off cash imprests.

Petty Cash is held for small value purchases as defined in the Petty Cash Regulations. Floats are made available to provide change to assist in cash collection. Imprests are reimbursable cash balances which are held for specific purposes and are usually one-off.

Guidance Notes: [Petty Cash Regulations and Cash Handling Procedures](#)

- 4.3.1 The Executive Manager - Finance shall provide such advances to Officers as he/she considers necessary for the purposes of defraying petty cash and

other expenses, cash imprests or as a change float for cash collection duties.

- 4.3.2 The Executive Manager - Finance will specify the conditions relating to such advances, including the form and manner in which the accounts will be kept and these conditions will be contained in the Petty Cash Regulations.
- 4.3.3 No income received may be paid into a cash imprest, but must be banked or paid to the authority as provided for in section 4.2 of these regulations.
- 4.3.4 Payments from petty cash shall be limited to minor and other items of expenditure of a type or value as may have been approved in advance by the Executive Manager - Finance. All expenditure should be recorded and supported by a valid receipt. As a general rule petty cash should not be used to pay for goods or services which, in the normal course of business, would be expected to be ordered through the Council's procurement and purchase order arrangements. Cash received on behalf of the Council shall not be used to defray such expenditure.
- 4.3.5 Nominated Officers will be personally responsible for such advances, including the keeping of cash and stamps in a safe and lockfast place.
- 4.3.6 For the safe keeping of advances, bank accounts may, as a last resort, be opened by the Executive Manager - Finance in the name of the Council. These bank accounts should require two signatories for all transactions and shall not be permitted to be overdrawn.
- 4.3.7 Staff on leaving the Service of the Council, or otherwise ceasing to maintain responsibility for an imprest, petty cash or float shall account to the Executive Manager - Finance for the total amount advanced. Any new Nominated Officers must undertake training prior to any petty cash being advanced.
- 4.3.8 Nominated Officers are required to produce an annual certificate for each Petty Cash imprest or float held, certifying they still hold the total sum advanced. In addition an Officer responsible for a cash imprest shall, if and when requested at any time during the year, give the Executive Manager - Finance a certificate as to the state of the imprest.

4.4 ORDERS FOR GOODS AND SERVICES

This section covers the guidance on the ordering of goods and services. It covers responsibilities, authorisation and documentation. Section 4.11 contains information on contracts and tendering for building, construction or engineering work.

Guidance Note: Purchase Ordering Procedures/Integration Scheme Joint Procurement Strategy

- 4.4.1 Each Manager shall be responsible for all orders emanating from his/her Service and shall fully observe all instructions issued by the Executive Manager - Finance, Payments Supervisor and Procurement Manager. All contracts entered into by the Council for goods and services must comply with the terms of the Council's Contract Standing Orders. All contracts, orders and tenders must adhere to Council payment terms of 30 days from receipt of invoice and inform suppliers that payment will be by BACS. Any exceptions to the Council's payment terms must be approved by the Executive Manager - Finance.
- 4.4.2 All orders shall be issued in a form approved by the Executive Manager - Finance. All orders issued via the Integra purchasing system shall be raised only by Officers authorised to do so by their Executive Manager and shall be raised in accordance with the instructions contained in the current user manuals issued by the Executive Manager - Finance and Executive Manager - Capital Programme, as supplemented by any additional guidance or instructions.
- 4.4.3 Where authority is delegated for the approval of orders, the names of the Officers who hold this delegated authority is held by the Finance Service. Where orders are being signed, the names of the Officers and specimens of their signatures are also held by the Finance Service. The value levels of delegated authority are determined by the Executive Manager – Finance.
- 4.4.4 Where official order forms or books are in use, these will be prepared by the Executive Manager - Finance. 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.
- 4.4.5 All orders not given in writing or by electronic transmission must be confirmed by an official order in accordance with the Purchase Ordering Procedures. This must be done not later than the next working day. Such orders should only be used in exceptional circumstances.
- 4.4.6 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 each Manager shall be responsible for ensuring that costs are allocated to appropriate financial codes.
- 4.4.7 Official orders must be used for all goods and services to be supplied to the Council. All orders must be completed in accordance with Purchase Ordering Procedures issued by the Finance and Procurement functions and they shall indicate clearly the quantity of the goods, the nature of the work or service and whether these are covered by contract or by an agreed price specified thereon. All official orders should specify payment will only be made on receipt of a valid invoice. All official orders must also be completed in such a way as to prevent any unauthorised addition thereto.

- 4.4.8 Supplies of all goods and services must be ordered in accordance with authority applying and related procurement policies/procedures.

4.5 PAYMENT OF ACCOUNTS (APPLICABLE ONLY TO EXTERNAL PAYMENTS)

This section details the Council's requirements for payments of accounts, grants etc. It includes procedures to ensure that the Council and any partner only makes payments which are due to be paid and for the correct amount.

Managers will ensure that appropriate and efficient systems for certification of invoices for payment operate within their Services and that of any partner in line with the Payment Regulations and Integra Guidance.

Standard payment terms by the Council are 30 days. Managers should ensure that all invoices are processed at least within 21 calendar days of receipt unless held back due to dispute. In scheduling the payment of invoices etc, the Executive Manager - Finance must take account of commercial terms and conditions, and the cash management needs of the Council.

Guidance Note: Purchase Ordering Procedures

- 4.5.1 All accounts and invoices shall be paid in accordance with the Payment Regulations drawn up and issued by the Executive Manager - Finance. Any variation from these Payment Regulations shall be agreed with the Executive Manager - Finance.
- 4.5.2 All official orders must show the address to which invoices should be sent. All official orders must comply with Shetland Islands Council's standard payment terms and include an instruction to quote the order number on all correspondence.
- 4.5.3 Shetland Islands Council employees must not create any form of payment documentation on behalf of suppliers.
- 4.5.4 Shetland Islands 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.
- 4.5.5 The Payment Regulations shall make proper provision for the examination, verification, authorisation and expenditure allocation of invoices and claims. As part of the approval for payment process, the instructions will provide for the matching of invoices with orders and records of goods received to the extent that the following checks will be carried out and evidenced where appropriate:
- a) the work, goods or services 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;

- b) the price, extensions, calculations, trade discounts, other allowance credits and VAT, where appropriate, are correct;
- c) the expenditure has been properly incurred and is within the budget and the invoice has been correctly coded;
- d) the invoice has not previously been passed for payment;
- e) the invoice is the proper liability of the Council;
- f) 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
- g) the order record has been annotated to show appropriate details of the goods/service received and the payment made, in a manner that will prevent any duplicate payment.

4.5.6 Managers must ensure that procedures are in place to update inventories and/or stock records on receipt of goods. The relevant delivery documentation must be retained as per the Document Retention Schedule for internal control purposes.

4.5.7 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 Manager - Finance. Services must consult with Accounts Payable prior to entering any binding arrangement. Electronic submission via BACS is Shetland Islands Council's preferred method of payment and any other method must be sanctioned in advance by the Executive Manager - Finance. Services should consult with Accounts Payable prior to entering any binding arrangement.

4.5.8 Where payment documentation (invoices, claims payment requisitions etc) are being processed within a Service, relevant instructions will be contained in the Payment Regulations. This will include instructions regarding authorisation and approval within Integra. Managers must issue internal procedures which comply with the requirements of the Payment Regulations covering invoice processing and authorisation within their own Service. Copies must be made available for audit purposes.

4.5.9 Invoices and claims must be verified and processed into the Integra 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 Shetland Islands Council's payment terms. All relevant discounts should be taken.

- 4.5.10 The Executive Manager - Finance will be responsible for the provision of guidance and advice to Managers on the application of Late Payment legislation. Compliance with the legislation will be the responsibility of Managers.
- 4.5.11 The Executive Manager - Finance may have any transaction entered into the Integra Accounts Payable system examined. He/She will be entitled to any information and/or explanation required.
- 4.5.12 Subject to compliance with the Payment Regulations, the Executive Manager - Finance shall pay all invoices and claims without undue delay.
- 4.5.13 Payment will only be made on a duplicate or copy invoice when the certifying officer is satisfied that the copy has not previously been paid.
- 4.5.14 The duties of ordering goods, receiving goods, certifying or processing the relative invoices for payment shall each be performed by different individuals. Where this is not practicable, the Executive Manager - Finance 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 Manager - Finance, where necessary, each Manager shall notify the Executive Manager - Finance of all outstanding invoices relating to the previous financial year.
- 4.5.16 As early as possible, each Manager will be responsible for notifying the Executive Manager - Finance 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 Manager - Finance with a summary of these at the end of each financial year in the manner and timetable set by the Executive Manager - Finance.
- 4.5.17 In consultation with appropriate Managers, the Executive Manager - Finance 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 In consultation with appropriate Managers, the Executive Manager - Finance 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/Credit Cards

- 4.5.19 The Executive Manager - Finance, or such Officers authorised by the Executive Manager - Finance shall be responsible for approving applications for issuing of purchasing/credit cards, duly applied for by Services for such officers as may need them to meet the requirements of their Service Area.
- 4.5.20 Managers will be responsible for ensuring that proper procedures are prepared and maintained, and records are kept, to support the use of purchasing/credit cards including payment of accounts, in line with guidance provided by the Executive Manager - Finance.
- 4.5.21 Purchases made using purchasing/credit cards should take due account of any procurement contracts that the Council may have in place.
- 4.5.22 Payments using purchase/credit cards shall be on occasions when no other form is acceptable/practical, where it can be demonstrated that there are significant savings available and for such other items as the Executive Manager - Finance may approve, and shall be supported by a valid receipt, and shall be subject to the same controls and authorisation procedures as all other purchase ordering processes. The card is office based and must not be taken outwith the office. The card must be stored securely in a locked drawer or safe. Each card must only be used by the registered cardholder.
- 4.5.23 On leaving the employment of the Council or otherwise ceasing to be entitled to hold a purchase/credit card, an Officer shall return the card immediately to the Executive Manager - Finance for cancellation.

4.6 TAX AND VAT MANAGEMENT

This section summarises the Council's requirements for Tax and VAT Management. It includes:

- **allocation of responsibility for taxation to the Executive Manager -Finance;**
- **the appointment of professional advisers; and**
- **the requirement for Directors to consult the Executive Manager - Finance on transactions which 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 Managers ensure that employees are aware of any relevant taxation matters and that where necessary guidance is obtained from the Executive Manager - Finance.

Guidance on "VAT" will be issued by Accountancy Services

- 4.6.1 The Executive Manager - Finance 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 Manager - Finance will be responsible for:
- a) ensuring that transactions comply with relevant statutory requirements and authorities;
 - b) minimising the Council's tax liability; and
 - c) maximising the Council's tax flow.
- 4.6.3 In carrying out such responsibilities the Executive Manager - Finance will:
- a) define and allocate duties in relation to taxation and tax management;
 - b) ensure that financial control systems operate effectively, produce the necessary information and minimise the risk of error;
 - c) ensure appropriate guidance is provided to employees involved in processing tax-related transactions;
 - d) ensure assistance is provided for any investigations undertaken by any Government Agency and that justification for assessments made resulting from investigations are properly reviewed;
 - e) implement arrangements to monitor the execution of these responsibilities; and
 - f) report any significant changes to the Council's tax affairs to the appropriate Committee/Council.
- 4.6.4 The Executive Manager - Finance may, from time to time, appoint external tax specialists.
- 4.6.5 The Executive Manager - Finance will be responsible for the dissemination of information on tax matters as appropriate. Managers will be responsible for implementing guidelines introduced by the Executive Manager - Finance regarding any particular aspect of tax.
- 4.6.6 Where transactions of a new or unusual nature are being considered, Managers will consult with the Executive Manager - Finance on the tax implications before committing the Council.
- 4.6.7 Prior to employing consultants or agents to provide a service on behalf of the Council, Directors should consult with the Executive Manager - Finance to ensure that the contractual arrangements avoid any tax/NIC liability to the Council.

4.7 STOCKS AND STORES

This section gives details of Council requirements for the control of stocks and stores. Stocks and stores can be 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 Manager shall be responsible for the care and custody of stocks and stores in his/her Service, 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 Manager - Finance as part of the year-end process and these should be followed.
- 4.7.2 Stocks shall not be carried by any service in excess of reasonable requirements, as determined by the Service Director and the Executive Manager – Finance.
- 4.7.3 The Executive Manager - Finance shall be entitled to receive from each Manager such information as he/she requires in relation to stores for the accounting, costing and financial records. Each Manager shall provide a certificate of stock held to the Executive Manager - Finance at the end of each financial year.
- 4.7.4 The Manager shall report any stock adjustments arising from the periodical or year-end stock checks to the Executive Manager - Finance. The Executive Manager - Finance 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 required elsewhere by Shetland Islands Council, surplus materials, stores and equipment shall be disposed of by the relevant Manager in accordance with disposal process sanctioned by the Executive Managers of Finance and Capital Programme.
- 4.7.6 Stocks and stores records must be kept in a form to be agreed by the Executive Manager - Finance.

4.8 INVENTORIES

This section provides guidance on the control of inventories. Inventories relate to furniture, equipment and machinery; 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 Manager shall maintain inventories, in such form as is specified by the Executive Manager - Finance, 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 Manager 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 Manager and Insurance Section and be provided, on request, to the Executive Manager - Finance for updating the asset register.
- 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 Manager concerned.
- 4.8.4 Where not needed elsewhere by Shetland Islands Council, surplus inventory items shall be disposed of by the relevant Manager in accordance with disposal methods and procedures approved by the Executive Manager - Finance.

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 for employees or former employees of the Council.

PAYROLL AND PENSION PAYMENTS

- 4.9.1 The Executive Manager - Finance shall be responsible for the payment of all salaries, pensions, compensation, and other emoluments to all employees or former employees of the Council. This shall include the administration and regulation of salaries, payments and pension administration.
- 4.9.2 Each Manager shall conform to such instructions as shall be made by the Executive Manager - Finance for the maintenance of controls, checks, submission of accurately completed documents, records, procedures and deadlines for computer data processing.

- 4.9.3 The determination of all salaries and other emoluments and allowances (other than Travelling and Subsistence allowances) shall be a matter for decision or delegation by the Council, or appropriate Committee.
- 4.9.4 Decisions relating to the payment of salaries, and other allowances and changes to Conditions of Service, approved by the Council will be jointly notified to the Directors by the Executive Manager - Finance and the Executive Manager Human Resources. It shall be the responsibility of each Director to implement such decisions.
- 4.9.5 Directors will notify the Executive Manager – Human Resources, who in turn notify the Executive Manager - Finance in a prescribed format and in accordance with approved deadlines of all matters affecting payments in this section including:
- a) appointments, resignations, dismissals, suspensions, secondments and transfers;
 - b) absences from duty for maternity, adoption, parental leave or other reasons apart from approved annual/flexi leave;
 - c) changes in remuneration, other than normal increments, pay awards and agreements of general application;
 - d) information necessary to maintain records of service for pensions, income tax and national insurance purposes; and
 - e) information necessary to make payment i.e. timely submission of bank mandates;
- 4.9.6 Directors will notify the Executive Manager – finance in a prescribed format and in accordance with approved deadlines of all other matters affecting payments in this section including:
- f) absences for sickness; and
 - g) any cases where employees have been paid incorrectly.
- 4.9.7 Directors are responsible for ensuring that appointments of staff within their service are made in accordance with the staff budgets approved by the Council.
- 4.9.8 Directors should ensure that authorisation and internal control procedures are applied to the activity of payroll and pensions administration within their service.

TRAVEL AND SUBSISTENCE ALLOWANCES

Guidance Note: Travel and Subsistence Policy

- 4.9.9 All travel and expenses payments, including claims for car allowances, subsistence allowances, travel and incidental expenses must be in a format approved by the Executive Manager - Finance. Employees are required to submit expense claims electronically and provide receipts directly to Payroll in support of any expenses or allowances claimed. These documents must be approved by an authorised signatory and the claimant must declare that they have adhered with the Travel and Subsistence Policy prior to approval. All such documents shall be forwarded to the Executive Manager - Finance timeously within the deadlines set by him/her.
- 4.9.10 Through the relevant Director, requests by employees to travel outwith the United Kingdom on Council business (being funded from the Council budget) must be considered and approved by the Chief Executive in consultation with the Leader prior to the journey taking place. Where such approval is granted it is for the Council to determine reasonable limits, currently approved as actual cost (excluding alcoholic beverages), and in the event of clarification being required the Executive Manager - Finance shall advise employees on an individual journey basis. Receipts in foreign currency must be converted to pounds sterling before submission.
- 4.9.11 Details of all authorised signatories, including specimen signatories and any amendments will be provided to the Executive Manager - Finance by Managers.
- 4.9.12 All claims for the Chief Executive and Assessor and Electoral Registration Officer should be sent to the Executive Manager - Finance or the Executive Manager – Governance and Law for certification.
- 4.9.13 Certification of any expenses claims by 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 Policy.
- 4.9.14 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 Policy.

Other Payroll and Pensions Requirements

- 4.9.15 Managers will timeously provide the Executive Manager - Finance with any details required for the annual return of employee taxable benefits.
- 4.9.16 Managers will timeously provide the Executive Manager - Finance with any details required for the annual payroll verification exercise.

- 4.9.17 In consultation with the Executive Manager Human Resources, the Executive Manager - Finance will develop a procedure to be applied in cases of incorrect payment to employees.
- 4.9.18 The Executive Manager - Finance is responsible for transmitting pension contributions to the Council Pension Fund and payment of statutory payroll deductions, including tax and national insurance, to Her Majesty Revenue and Customs within statutory timescales.
- 4.9.19 All claims relating to a given financial year should be submitted within one month of the 31 March or as may be stipulated in any year-end instructions issued on behalf of the Executive Manager - Finance. No payment will be made in relation to claims over six months old except in very exceptional circumstances which will require Managers to seek approval by the Executive Manager – Finance.
- 4.9.20 The Executive Manager - Finance will maintain a record of all various payments made to employees and Councillors that are required to be disclosed in the Annual Accounts (i.e. termination benefits, pension payments, remuneration levels and the Councillors register of payments).

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 Payment of remuneration will be made in 12 equal instalments by the Executive Manager - Finance. Councillors are not required to submit a claim for remuneration.
- 4.10.3 Councillors are entitled to payment of travel and subsistence expenses or other expenditure reasonably incurred while on approved duties. Councillors are required to submit expense claims electronically and provide receipts in support of any expenses or allowances claimed. This is certified by the Executive Manager – Executive Services. The rates applicable are approved by the Council. Details of the deadlines for submission and rates applicable are available from the Executive Manager - Finance.
- 4.10.4 Requests by Councillors to travel outwith the United Kingdom on Council business (being funded from the Council budget) must be considered and approved by the Chief Executive in consultation with the Leader prior to the journey taking place. Where such approval is granted it is for the Council to determine reasonable limits, currently approved as actual cost (excluding alcoholic beverages), for travel and subsistence expenses. Receipts in foreign currency must be converted to pounds sterling before submission.

- 4.10.5 The Executive Manager - Finance will maintain a Members' Register of all remuneration and expenses paid to or on behalf of Councillors under the Scheme, detailing name, amount and nature of payment. This will be available for inspection by 1 June each year by the public at the Councils' Headquarters, published locally in the press and within the Annual Accounts.
- 4.10.6 Managers authorising expenses will ensure procedures are followed and controls are maintained under the Scheme.
- 4.10.7 All claims should be submitted timeously. Only in exceptional circumstances, will the Executive Manager – Finance approve claims over 6 months old. All claims relating to a specific financial year should be submitted within the year or within one month of the end of the financial year.

4.11 CONTRACTS FOR BUILDING, CONSTRUCTION OR ENGINEERING WORK

This section deals with the regulations 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 for Meetings, Scheme of Administration and Delegations and Contract Standing Orders.

- 4.11.1 All works contracts progressed by the Council, whether by Committee approval, 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 Contract Standing Orders and the procedures approved by the Executive Manager - Finance and Executive Manager - Capital Programme. These Regulations deal with the financial arrangements necessary to carry through the various contracts. All contracts, orders and tenders must adhere to Council payment terms of 30 days from receipt of invoice and inform suppliers that payment will be by BACS, unless otherwise agreed.
- 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 Manager - Finance will be responsible for the provision of guidance and advice to Managers on the application of the Construction Industry Scheme, compliance with which will be the responsibility of Managers.
- 4.11.3 Payments to contractors on account of contracts shall be made by the Executive Manager - Finance on a payment certificate derived from an invoice or other application for payment issued by the Executive Manager or his nominated Officer who must be an authorised signatory previously

notified to and agreed by the Executive Manager - Finance. 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 Director or other responsible Officers (including representatives of professional firms under contract to the Council nominated in writing for the purpose).
- 4.11.5 Where extras, variations or any other factor result in the predicted outturn cost exceeding the approved budget, this shall be reported in the Asset Investment Plan update report to Policy and Resources Committee by the Executive Manager – Capital Programme.
- 4.11.6 Where the predicted outturn cost of a project exceeds the approved budget, and such excess is solely caused by a contractual liability, the Executive Manager - Finance shall have authority to approve the payment of any consequential invoices.
- 4.11.7 To the extent considered necessary, the Executive Manager - Finance 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 in accordance with the Financial Assessment Register policy.
- 4.11.8 Current policy on performance bonds is that they will not be used unless by exception. Should an exception arise, Managers should consult with the Executive Manager - Governance and Law and the Executive Manager - Finance who will determine the arrangements for obtaining performance bonds/guarantees from contractors with regard to performance of contracts when these are deemed necessary.

4.12 RECORDS MANAGEMENT, RETENTION AND DESTRUCTION OF DOCUMENTS (INCLUDING FINANCIAL DOCUMENTS)

This section outlines the Council’s records management arrangements and policies for the retention and destruction 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.

Full details of the document retention periods for all documents can be found in the Council’s Document Retention and Destruction Schedule and further guidance can be found in the Council’s Records Management Strategic Policy.

http://www.shetland.gov.uk/about_freedom_of_information/RecordsManagementandDataProtection.asp

- 4.12.1 The Executive Manager - Governance and Law will provide guidance to each service on retention scheduling, the destruction of records and other records management issues.
- 4.12.2 Directors, as Senior Information Asset Owners, are responsible for ensuring that the Council's Information Management Strategy and improvement targets are implemented and adopted by staff, and for the assets within their Departments and Services. Executive Managers, As Information Asset Owners, will be responsible for the implementation of the Council's information management policies and procedures within their service. Each service should also identify an Information Asset Administrator for their service. This should be the same person as, or who works closely with the person, who has responsibility for the co-ordination and administration of Data Protection and Freedom of Information requests.
- 4.12.3 Each 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 Director concerned and by the Executive Manager - Governance and Law.
- 4.12.4 The Executive Manager - Governance and Law will co-ordinate the creation of a Council retention schedule. Records Management Co-ordinators will regularly review and update the schedule.

5.0 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 The Executive Manager - Finance, or such Officers authorised by the Executive Manager - Finance, shall maintain a register of all land and heritable properties owned or leased by the Council in a form designed to meet all internal and external requirements for such information, including the best value requirement to ensure that best use is made of Council assets. For the Integration Joint Board, reference should be made to the Integration Joint Board Scheme.
- 5.1.2 The Executive Manager - Governance and Law shall have the custody of all title deeds and lease documents, and shall ensure their security.
- 5.1.3 Each 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, et., under his/her control.
- 5.1.4 Each Manager shall consult with the Executive Manager - Finance where special security arrangements are required and the Executive Manager - Finance shall advise in any case where security appears to him/her to be inadequate.
- 5.1.5 Wherever appropriate, the Executive Manager - Finance shall seek and take account of advice on security issues from other sources within the Council.
- 5.1.6 The Executive Manager - Finance shall advise the maximum limits for cash holdings and these limits must not be exceeded except with the permission of the Executive Manager - Finance.
- 5.1.7 Keys to safes and similar containers shall be carried by the nominated Officer, or held in a secure place if this is impracticable.
- 5.1.8 A register of key holders shall be held for each location. The Executive Manager - Governance and Law 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.
- 5.1.9 Arrangements for the security of Information Systems/Technology, and associated data, software and services are detailed in the ICT Security Policy 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 Manager shall be responsible for the proper governance of information and data under his/her control. In addition, the following officers have specific responsibilities for information governance and security:
- 5.2.2 Senior Information Risk Owner** [Director of Corporate Services]
Responsible for the corporate monitoring and implementation of the Information Management Strategy and Improvement Programme; managing the risks and assurance measures, maturity level targets and reporting regularly to CMT on the effectiveness of this programme of work and alerting to issues of non compliance.
- 5.2.3 Data Protection Officer** [Executive Manager - Governance and Law]
The Chief Legal Officer is also the current designated Data Protection Officer. The Data Protection Officer must inform and advise the Data Controller [the Council] of its obligations under the Data Protection Act 1998, and monitor the implementation and application of the Council's policies and training on personal information management. The Data Protection Officer determines the purposes for which, and the manner in which, any personal data are, or are to be, processed, and has overall responsibility for ensuring the Council's compliance with the Data Protection Act 1998.
- 5.2.4 Senior Information Asset Owner** [Directors]
The authorising person within a Directorate responsible for ensuring the Information Management Strategy and improvement targets are implemented and adopted by staff and for the assets within their Departments and Services. They are also the owners of Information Management Risks and for ensuring that the risks are managed in accordance with Council policy and practice.
- 5.2.5 Information Asset Owners** [Executive Managers]
Information Asset Owners are responsible for ensuring information management policies and procedures are followed, recognising actual or potential security incidents, consulting their Senior Information Risk Owner on incident management, and ensuring that information asset registers are accurate and up to date and that appropriate monitoring and reporting is in place.
- 5.2.6 The Executive Manager - ICT is responsible for the Council's electronic infrastructure and the management of all security 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 a Code of Conduct for Councillors and a Code of Conduct for Employees on Gifts and Hospitality.

http://www.shetland.gov.uk/about_how_we_work/constitutionandgovernance.asp

- 5.3.1 Directors are responsible for ensuring that all staff are aware of the terms of the Code of Conduct for Employees and that they comply with the conditions therein.
- 5.3.2 The Executive Manager – Governance and Law is responsible for ensuring that all Councillors are aware of the terms of the Code of Conduct for Councillors and that they understand the need to comply with the conditions therein.
- 5.3.2 Each Director shall be entitled to extend hospitality within their area up to £500 (excluding VAT) per occasion, subject to budget availability and evidenced by appropriate receipts up to an annual maximum of £2,000. There is a small budget for hospitality which is held by the Chief Executive. Approval to use that budget has to be sought from the Executive Manager – Executive Services. To be classed as hospitality the expenditure must not be solely for Councillors and/or Council officers.
- 5.3.3 The Convener has access to, as Civic Head, or any other person deputising for the Convener in carrying out civic duties, has access to a civic allowance of up to £2,000 per annum to reimburse any receipted expenditure incurred by the Civic Head or deputy in carrying out civic duties. This is separate from entitlement to be reimbursed for travel and subsistence cost.
- 5.3.4 Reasonable hospitality extended to Council employees by current or prospective clients, customers, suppliers etc is an accepted practice, but the acceptance of hospitalities or gifts, other than mere token gifts, goes beyond what is proper for a public official, regardless of whether such gifts do, or are intended to, influence them in an official capacity. The offer of any hospitality or gift deemed likely to exceed £50 in value must be approved by the Chief Executive or relevant Director prior to its acceptance. Each Director should maintain a register for gifts or hospitality for their staff.
- 5.3.5 Any gifts or hospitality provided to Councillors should be intimated in writing to the Executive Manager - Governance and Law, monitoring officer for recording in a central register of gifts and hospitality.
- 5.3.6 The Executive Manager - Governance and Law 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 in the performance of their duties.

- 5.3.7 In this regard, all Councillors are issued with a copy of the Code and guidance issued by the Standards Commission, and are expected to comply with their code in the matter of their gifts and hospitality.

5.4 AUDIT SERVICES

This sections sets out the authority for the Executive Manager - Audit, Risk & Improvement to examine and evaluate the adequacy and effectiveness of corporate governance and internal control arrangements.

Guidance Note: Internal Audit Charter

- 5.4.1 Internal Audit is an independent appraisal function, operating under the supervision and direction of the Director of Corporate Services, specifically established to assess the effectiveness of the Council's internal control, governance and risk management environment. Internal Audit does not relieve the Council's management of its responsibility for maintaining effective control. It can, however reassure management when control is adequate, and identify and report inadequate control to enable those accountable to strengthen weaknesses before any serious breakdown occurs.
- 5.4.2 The Director of Corporate Services shall arrange for the examination and evaluation of the adequacy and effectiveness of corporate governance, risk management 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. S/he is supported in this analysis by the Executive Managers for Governance and Law, Audit, Risk and Improvement and Finance.
- 5.4.3 The Executive Manager - Audit, Risk and Improvement, or his/her authorised representative, shall, with or without previous notice:
- a) have authority to enter any Council establishment at all reasonable times;
 - b) have access to all Council files, correspondence, documents and records including computer records;
 - c) require and receive explanations as necessary concerning any matter under examination; and
 - d) require any employee of the Council to produce cash, stores or any other Council property under his/her control.
- 5.4.4 The terms of reference and key aspects of the operation of the above arrangements will be set out in an Internal Audit Charter which will be approved by the Audit Committee and amended as necessary from time to time.

- 5.4.5 Directors shall consult the Executive Managers - Finance and Audit, Risk and Improvement on systems development projects so that appropriate guidance may be given on systems affecting the financial operations of the Council.
- 5.4.6 Directors are required to notify the Executive Managers of Finance and Audit, Risk and Improvement 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 Manager - Audit, Risk and Improvement shall inform the Director of Corporate Services (and the Executive Manager - Governance and Law in cases where it appears that there may be a criminal offence involved) and such steps shall be taken, by way of investigation and report, as may be considered necessary.
- 5.4.7 In all circumstances of financial irregularity, if investigations indicate that there are reasonable grounds for believing that a criminal offence has occurred, the Executive Manager - Audit, Risk and Improvement will arrange for the matter to be reported to the Police as appropriate.
- 5.4.8 In the event that any transactions, activities or contracts initiated or under the direct supervision of the Executive Manager - Finance are brought into question, the Director of Corporate Services will assume the reporting arrangements which would otherwise be undertaken by the Executive Manager - Finance.

5.5 PREVENTION AND DETECTION OF FRAUD AND CORRUPTION

Shetland Islands 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 Shetland Islands 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 Managers for Finance and Audit, Risk and Improvement and will be investigated.
- 5.5.3 The Executive Manager - Audit, Risk and Improvement will ensure that matters are reported to the Police if there are reasonable grounds for believing that a criminal offence has been committed.

- 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.

A Risk Management Strategy and Risk Management Policy have been approved by the Council.

The Strategy provides for the continuous review, and management, of potential risks to the Council's Plans. For the Strategy to be successful a risk awareness culture must form an integrated part of service delivery.

Guidance Note: [Insurance Claims Procedure](#)

Risk Management

- 5.6.1 Risk Management concerns itself with the identification and management of those uncertain future events that could influence the achievement of an organisation's strategic, operational and financial objectives. The Council actively promotes a positive Risk Management culture in respect of all working practices within the Council while liaising with partnership organisations on risk related matters.
- 5.6.2 It will be the responsibility of each Executive Manager to manage those risks that affect their Service and to co-operate in the compilation of records that assist in the evaluation and effective management of those risks. They will encourage all staff Councillors to participate in risk reduction and bring to their attention the principles of risk management.
- 5.6.3 The Council maintains and develops systems and procedures that identify, evaluate and economically eliminate or minimise those existing and anticipated risks which threaten its' ability to achieve its business priorities, service delivery, assets, efficiency and public image of the Council.
- 5.6.4 In the course of service delivery, the Council will do everything in its power to prevent harm to an individual, and wants to limit its exposure to health and safety, environmental, reputational, legal, financial and regulatory and compliance risks. It recognises that some level of risk is necessary in pursuit of better outcomes for the community and service users. The Council embraces the idea that opportunities can be positive risks in that their outcomes may be uncertain, but there could be the potential for, or likelihood of, worthwhile outcomes. When considering whether or not a risk is being managed appropriately, officers must consider:

- the potential benefits from accepting the risk as it is;
- the views of the stakeholders;
- the possible costs (including opportunity costs) of taking action to manage the risk;
- the risk rating (likelihood and severity of the risk) as scored using the Council's risk management scoring criteria matrix; and
- the Council's capability to manage the risk effectively, e.g. does effective management of the risk sit outside core competencies or is the Council getting involved in activities it has little track record in delivering.

5.6.5 When considering any risk, account must be taken of:

- the political salience of the risk, and if it is something Councillors would be interested in e.g. should the risk be referred to Councillors;
- if accepting the risk or taking an action would breach any Council standing order, policy or procedure;
- if the risk represents a breach of any relevant laws or regulations, or where any breach could lead to potential damage to the Council's legitimacy bearing in mind its separate enforcement roles; and
- at what level the Council's scheme of delegated authority allows the risk to be managed.

5.6.6 There exists a reporting procedure that will be followed such that the relevant Executive Managers for Audit, Risk and Improvement and Human Resources are made aware of all incidents which have or could have resulted in loss. These officers will determine if any further action and/or analysis requires to be conducted and will direct that work in light of the information received.

5.6.7 The Executive Manager - Audit, Risk and Improvement is responsible for preparing the Council's Risk Management Policy and Strategy. Directors are responsible for ensuring the policy and strategy is implemented effectively within their service.

5.6.8 The remaining unmitigated risk cannot be totally eliminated. The Risk Board will give careful consideration to those risks that may pose a threat to the Council's financial stability. Where financial loss may arise then appropriate consideration will be given to the insuring the Council against that loss and must be done in conjunction with the relevant sections of this document.

Insurance

5.6.9 In consultation with other Managers, the Executive Manager - Governance and Law 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.

- 5.6.10 Each Director shall notify the Executive Manager - Governance and Law immediately of any loss, liability, damage or claim, or any incident which may give rise to a claim in connection with his/her Directorate of responsibility, whether or not covered by insurance.
- 5.6.11 Each Director shall give prompt notification to the Executive Manager - Governance and Law of all new risks to be considered for insurance and of any changes which could affect insurable risks.
- 5.6.12 Each Director will provide an annual return of fee income received from professional services provided to external bodies and additionally all Managers should advise the Executive Manager - Governance and Law of any new instances of provision of professional service to external bodies to allow appropriate professional indemnity insurance to be purchased.
- 5.6.13 All Directors shall notify the Executive Manager - Governance and Law immediately of any change to the delivery of services or functions either outsourced or in-sourced to allow appropriate insurances to be arranged.
- 5.6.14 The Executive Manager - Governance and Law shall arrange, annually or at such other period as he/she may consider necessary, for the review of all insurances in consultation with other Managers as appropriate. All Managers will provide information timeously in relation to such review.
- 5.6.15 All Directors shall consult with the Executive Manager - Governance and Law regarding the terms of any indemnity which the Council is requested to give.
- 5.6.16 All Directors shall take due account of any recommendations proposed by the Council's insurers arising from a risk survey.

6.0 EXTERNAL FINANCIAL ARRANGEMENTS

6.1 AWARDS TO VOLUNTARY ORGANISATIONS AND COMMISSIONED SERVICES

This Section deals with awards of funding to voluntary organisations and commissioned services (third party payments). The Council approved a commissioning and procurement strategy framework in April 2016, this including any future updates, is required to be followed when undertaking any commissioning or procuring of services of that type.

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 Following the Public Pound Policy 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 Manager shall be responsible for ensuring that all awards to voluntary organisations are made in accordance with the Council's:

- Following the Public Pound Policy
- Commissioning and Procurement Strategy

In particular:-

- All grants / service level agreement payments are payable under an approved scheme through delegated authority or;
- All grants / service level agreement payments are payable following approval in advance by the appropriate committee.
- Information on grants / service level agreements is provided to the Executive Manager - Finance via the Benefactor system in order that a comprehensive, central database can be maintained.
- Each Director is responsible for presenting an annual report to Committee retrospectively for their Directorate.
- All monitoring checks must be completed before grant awards are presented to Committee for decision-making and payments made.
- Service and financial performance is monitored and reported on a regularly basis.

The Council has the following policy with regard to the retention / repayment of unused funds, held by a third party.

- The Council will normally require all unspent funds allocated for a particular project or service but unused at the end of that funding period to be returned in full.
- However, the Council supports the principle of third party organisations being able to hold a small amount of balances for unforeseen expenditure items.
- Where a need can be demonstrated, the Council will therefore allow organisations to retain the equivalent of one month's running costs to pay for unforeseen items.
- The Council will not allow any unused money to be used for another purpose, beyond the original award and the unused money cannot be used to pump prime another service development, project or initiative.

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 a 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 (In these Regulations the term "partnership" is not used in the sense of a formal legal partnership).

Partnerships

- 6.2.1 The Executive Manager - Finance will advise 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 Director shall be responsible to consult with the Executive Manager – Finance to ensure 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 Each Director shall ensure that they consult the Executive Manager – Governance and Law prior to entering into agreements with external bodies and that a risk management appraisal has been completed and that

agreements and arrangements made do not impact adversely upon the services already provided by the Council.

- 6.2.4 Each Director must ensure that all agreements and arrangements are properly documented and that the Executive Manager - Finance is provided with appropriate information to enable notes to be entered into the Council's Annual Statement of Accounts.
- 6.2.5 Each Director 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 The Council and NHS Shetland are partners in the Integration Joint Board. The activities carried out by the Council on behalf of the Integration Joint Board will be carried out in line with the Council's Financial Regulations as set out in the Integration Joint Board Strategy.
- 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

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 Corporate Plan.

- 6.2.9 Any external funding which requires funding or match funding from the Council requires a Council decision if this has not been approved either as part of the revenue budget or the Asset Investment Plan.
- 6.2.10 The Executive Manager - Finance 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, both in the present and the future.
- 6.2.11 Each Director 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 Manager - Finance 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 Each Director 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 Managers for Finance and Capital Programme;
- 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 Manager - Finance is provided with appropriate information to enable notes to be entered into the Council's Annual Statement of Accounts.

Audit

6.2.13 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 Internal Audit Service.

6.3 EXTERNAL AUDIT

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

External Audit is independent of the Council. Their authority is mostly contained within the Local Government (Scotland) Act 1973.

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

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

March 2017
ENDS