

REPORT TO PROCEDURES COMMITTEE – 25 MAY 2018

FINANCIAL REGULATIONS

1 Recommendations

The Committee is recommended to:

- 1.1 Consider the proposed changes to the Financial Regulations and agree any amendments.
- 1.2 Discuss and decide whether the proposed changes and any amendments that are agreed go forward under Option 1 or Option 2 as detailed in paragraphs 2.7.1 and 2.7.2.

2 Background / Discussion

- 2.1 Part 3 of the Scheme of Governance approved in January 2017 comprises the Financial Regulations.
- 2.2 The purpose of the Financial Regulations is to ensure that all decisions are made within agreed budgets and in the correct manner, enabling proper, transparent and efficient financial management of the Council.
- 2.3 All officers and employees of the Council are subject to the Financial Regulations.
- 2.4 The current Financial Regulations were approved at Full Council as part of the Scheme of Governance on 24 November 2016. The current Financial Regulations can be accessed via this [link](#).
- 2.5 The Financial Regulations have been reviewed as part of the review of the Scheme of Governance and the Appendix to this report details the changes that are proposed. These changes will provide greater consistency with the Scheme of Governance and greater clarity for officers and employees.
- 2.6 During the course of the review it became apparent that Sections 4.15 Payment of Grants and Subsidies, 4.17 Shared Services and 5.3 Procurement require further consideration.
- 2.7 There are two Options in terms of taking forward any proposed changes to the Financial Regulations.
 - 2.7.1 **Option 1** would involve taking forward the proposed changes in the Appendix to this Report as Phase 1 of the review of the Financial Regulations to Full Council on 28 June 2018. A second Report would then go to Full Council at a later date in relation to Sections 4.15 Payment of Grants and Subsidies, 4.17 Shared Services and 5.3 Procurement.

2.7.2 **Option 2** would be to combine the proposed changes in the Appendix to this Report with any proposed changes to Sections 4.15 Payment of Grants and Subsidies, 4.17 Shared Services and 5.3 Procurement and submit all the proposed changes to a later meeting of Full Council.

2.8 The Head of Finance and Monitoring Officer within Business Services have been consulted in the preparation of this report and their comments are incorporated within the report and are satisfied that the report complies with the Scheme of Governance and relevant legislation.

3 Scheme of Governance

3.1 The Committee is able to consider this item as the Procedures Committee has a remit to consider proposed changes to Aberdeenshire Council's Scheme of Governance and to make recommendations on required amendments.

4 Implications and Risk

4.1 An equality impact assessment has not been carried as this report is inform Committee of progress on the implementation of a policy framework. An Equality Impact Assessment was previously conducted when developing the framework and no impact was identified.

4.2 There are no financial, staffing or Town Centre First principle implications arising from this report.

4.3 No risks have been identified however the Policy Development & Review Framework helps to control the following risk on a Corporate Level:

- Reputation management

Ritchie Johnson
Director of Business Services

Report prepared by Susan Donald, Accountancy Finance Manager
Date 10 May 2018

APPENDIX: PROPOSED CHANGES TO THE SCHEME OF GOVERNANCE PART 3, FINANCIAL REGULATIONS

Para	Original Paragraph	Amended Paragraph
1.6	<p>These Financial Regulations shall not be altered or suspended except by Full Council following consideration of a report from the Head of Finance. Action contrary to the approved Financial Regulation should not be taken prior to this consideration.</p>	<p>These Financial Regulations shall not be altered or suspended except where a resolution to do so is passed after notice is given at a previous meeting of Full Council; or, a report is made to Full Council by the Monitoring Officer in accordance with Standing Order 9.</p> <p>Reason: this reflects the Scheme of Governance requirements.</p>
1.7	<p>A register of breaches of Financial Regulations will be maintained by the Chief Internal Auditor (CIA). All breaches identified shall be notified to the CIA and entered in the register. Monitoring of the register will be undertaken by the Council’s Management Team quarterly and the Committee responsible for Audit every 6 months.</p>	<p>A register of breaches of Financial Regulations will be maintained by the Chief Internal Auditor (CIA). All breaches identified shall be notified to the CIA and entered in the register. Monitoring of the register will be undertaken by the Council’s Strategic Leadership Team quarterly and the Committee responsible for Audit every 6 months.</p>
2.4	<p>“Committees” refers to the Council’s Policy and Area Committees and “Committee” means any one of them.</p>	<p>This paragraph will be removed from the Financial Regulations.</p> <p>Reason: the definition of “Committee” already appears in the Scheme of Governance Glossary</p>
3.1.2	<p>Estimates of income and expenditure on revenue account shall be prepared by the Head of Finance in conjunction with each Director. These estimates will be submitted to Full Council, and when approved by Full Council, shall constitute the Revenue Budget for the relevant financial year. An electronic version of the Revenue Budget is available.</p>	<p>Estimates of income and expenditure on revenue account shall be prepared by the Head of Finance for approval by each Director. These estimates will be submitted to Full Council, and when approved by Full Council, shall constitute the Revenue Budget for the relevant financial year. An electronic version of the Revenue Budget is available.</p> <p>Reason: this re-wording is reflective of the Scheme of Governance.</p>

Para	Original Paragraph	Amended Paragraph
3.3.2	<p>If it appears that the amount of any Revenue Budget Grouping may be exceeded, or the amount of any budget grouping of approved income may not be reached, and the excess expenditure or shortfall in income cannot be met by the Director concerned exercising their powers of virement in terms of Financial Regulation 3.4 below, it shall be the duty of the Director after consultation with the Head of Finance, to report fully to the Committee concerned which should endeavour to find the amount required elsewhere in its Budget. Should, exceptionally, this not be possible, the Committee will refer the matter to Full Council.</p>	<p>If it appears that the amount of any Revenue Budget Grouping may be exceeded, or the amount of any budget grouping of approved income may not be reached, and the excess expenditure or shortfall in income cannot be met by the Director concerned exercising their powers of virement in terms of Financial Regulation 3.4 below, it shall be the duty of the Director following consultation with the Head of Finance, to report fully to the Committee concerned which should endeavour to find the amount required elsewhere in its Budget. Should, exceptionally, this not be possible, the Committee will be recommended to refer the matter to Full Council. Reason: this re-wording is reflective of the Scheme of Governance.</p>
3.4	<p>Scheme of Virement The scheme of virement is intended to enable the Council, Directors and their staff to manage budgets with a degree of flexibility within the overall policy framework determined by the Council, and therefore to optimise the use of resources. The term “virement” refers to the switching of budgetary provision from one budget to another.</p>	<p>Scheme of Virement The scheme of virement is intended to enable the Council, Directors and Head of Finance to manage budgets with a degree of flexibility within the overall policy framework determined by the Council, and therefore to optimise the use of resources. The term “virement” refers to the switching of budgetary provision from one budget to another. Reason: the addition of the Head of Finance reflects the statutory role of the Section 95 Officer.</p>

Para	Original Paragraph	Amended Paragraph
4.3	<p>Assets The Council holds assets in the form of property, vehicles, equipment, furniture and other items worth, collectively, many millions-of pounds. It is important that these assets are safeguarded and used efficiently in service delivery, and that there are arrangements for the security of both assets and information required for service operations. An up-to-date asset register is a prerequisite for proper fixed asset accounting and sound asset management.</p>	<p>Assets The Council holds significant assets in the form of property, vehicles, equipment, furniture and other items. It is important that these assets are safeguarded and used efficiently in service delivery, and that there are arrangements for the security of both assets and information required for service operations. An up-to-date asset register is a prerequisite for proper fixed asset accounting and sound asset management. Reason: including a generic value is not required.</p>
4.3.1	<p>The general security of the Council’s accommodation shall be the responsibility of the Director of Business Services. Subject to this, each Director is responsible for maintaining proper security at all times for all buildings, stocks, stores, furniture, equipment, cash, etc., under their control and shall consult the Director of Infrastructure Services and the Head of Finance in any case where security is thought to be defective or where it is considered that special security arrangements may be needed.</p>	<p>The general security of the Council’s accommodation shall be the responsibility of the Director responsible for Property and Facilities Management. Subject to this, each Director is responsible for maintaining proper security at all times for all buildings, stocks, stores, furniture, equipment, cash, etc., under their control and shall consult the Director responsible for Property and Facilities Management and the Head of Finance in any case where security is thought to be defective or where it is considered that special security arrangements may be needed. Reason: this change in wording removes the need for future changes in the Financial Regulations should the Directorate responsibilities change.</p>
4.4.3	<p>The advertising of property for lease and the initial consideration of offers shall be dealt with by the appropriate Committee or Director, on reports from the officer concerned following consultation with the Head of Legal and Governance.</p>	<p>The advertising of property for lease and the initial consideration of offers shall be dealt with by the appropriate Committee or Chief Officer, on reports from the Head of Legal and Governance following consultation with the Head of Property and Facilities Management in accordance with the Scheme of Governance, Part 2B, paragraphs 8.12 to 8.20. Reason: updated to reflect the Scheme of Governance.</p>

Para	Original Paragraph	Amended Paragraph
4.7.1	<p>All surplus plant, vehicles, equipment and furnishings expected to realise more than £5,000 (exclusive of VAT) where no suitable trade-in arrangements have been made, shall be offered for sale by the appropriate Director following consultation with the Head of Finance ensuring that best value is achieved and can be demonstrated. Items expected to raise more than £5,000 (exclusive of VAT) individually, should be offered for sale by open invitation or sold at auction.</p>	<p>Following consultation with the Head of Finance all surplus plant, vehicles, equipment and furnishings which are individually expected to realise more than £5,000 (exclusive of VAT), where no suitable trade-in arrangements have been made, shall be offered for sale by the appropriate Chief Officer either by open invitation or sold at auction.</p> <p>Reason: it was not clear from the regulation whether the value of £5,000 related to individual assets or a number of assets. The use of the term Chief officer is reflective of the Scheme of Governance.</p>
4.7.2	<p>Where the value is less than or equal to £5,000, the asset should be offered for use elsewhere in the Council, and if no alternative internal use is identified the disposal route elected should represent best value.</p>	<p>Where the value is less than or equal to £5,000, the asset should be considered for use elsewhere in the Council, and if no alternative internal use is identified the disposal route elected should represent best value.</p> <p>Reason: it was highlighted during the review that not every asset is suitable for use elsewhere in the Council.</p>
4.11	<p>Staffing In order to provide the highest level of service, it is crucial that the Council recruits and retains high calibre, knowledgeable staff, qualified to an appropriate level.</p>	<p>Staffing In order to provide the highest level of service, it is crucial that the Council recruits and retains high calibre, knowledgeable staff, qualified to an appropriate level.</p>
4.11.1	<p>It shall be the responsibility of all Directors to ensure that the Council's Policy in relation to the recruitment and selection of staff is fully complied with and that all other HR & OD Policies approved by the Council are adhered to.</p>	<p>It shall be the responsibility of all Chief Officers to ensure that the Council's Policy in relation to the recruitment and selection of staff is fully complied with and that all other HR & OD Policies approved by the Council are adhered to.</p> <p>Reason: the change to Chief Officer complies with the Scheme of Governance.</p>

Para	Original Paragraph	Amended Paragraph
4.11.2	<p>Appointments of all employees shall be made in accordance with approved establishments, grades, and rates of pay. Directors shall have discretion as to the incremental salary point on which employees are to be placed within the approved salary scale for the post, subject to the existence of sufficient provision in the Revenue Budget.</p>	<p>This paragraph will become 4.11.1 Appointments of all employees shall be made in accordance with approved establishments, grades, and rates of pay. Chief Officers shall have discretion as to the incremental salary point on which employees are to be placed within the approved salary scale for the post, subject to the existence of sufficient provision in the Revenue Budget. Reason: the change to Chief Officer complies with the Scheme of Governance.</p>
4.12	<p>Internal Audit The requirement for an internal audit function for local authorities is implied by section 95 of the Local Government (Scotland) Act 1973, which specifies that every local authority “shall make arrangements for the proper administration of their financial affairs and shall secure that the proper officer has responsibility for those affairs”. Scottish Office Circular 5/85 states that “effective internal audit cover is regarded as a matter of good practice.”</p>	<p>Internal Audit The Local Authority Accounts (Scotland) Regulations 2014, which came into force in October 2014, make it a statutory requirement for all Scottish Local Authorities to have an internal audit function. Reason: this reflects the statutory position with regard to the internal audit function in local authorities.</p>

Para	Original Paragraph	Amended Paragraph
4.12.1	<p>A continuous internal audit, under the independent control and direction of the Director of Business Services, shall be arranged to carry out a continuous review and appraisal of the internal controls of the Council and prepare such reports on these as may be required or appropriate. Work will be planned to provide reasonable, rather than absolute, assurance and shall be undertaken in accordance with the United Kingdom Public Sector Internal Audit Standards. Such Internal Audit work shall not absolve management of the responsibility to ensure that all financial transactions are undertaken in accordance with the Council's Financial Regulations and Standing Orders and that adequate systems of internal control exist to safeguard assets and secure the accuracy and reliability of records.</p>	<p>A continuous internal audit, under the independent control and direction of the Director of Business Services, shall be arranged to carry out a continuous review and appraisal of the internal controls of the Council and prepare such reports on these as may be required or appropriate. Work will be planned to provide reasonable, rather than absolute, assurance and shall be undertaken in accordance with the United Kingdom Public Sector Internal Audit Standards. Such Internal Audit work shall not absolve management of the responsibility to ensure that all financial transactions are undertaken in accordance with the Council's Financial Regulations and Scheme of Governance and that adequate systems of internal control exist to safeguard assets and secure the accuracy and reliability of records. Reason: a link has been inserted to the UK Public Sector Internal Audit Standards.</p>
4.13.3	<p>All Members and employees will be expected to comply with the Council's Disclosure of Information (Whistle blowing) and Anti-fraud and Corruption Policies.</p>	<p>All Members and employees will be expected to comply with the Council's Strategy for the Prevention and Detection of Fraud, Bribery and Corruption and Disclosure of Information (Whistleblowing) Policy. Reason: this paragraph has been amended to reflect the current Strategy title.</p>
4.14.2	<p>When hospitality is estimated to cost in excess of £300, but not more than £1,500 (exclusive of VAT) per occasion, written approval shall first be obtained from the following three Members: the Provost, Chair and Vice Chair of the relevant Policy or Area Committee.</p>	<p>Remove this paragraph</p>

Para	Original Paragraph	Amended Paragraph
4.14.3	Hospitality estimated to cost in excess of £1,500 (exclusive of VAT) per occasion shall require the prior approval of the relevant Policy Committee.	<p>This paragraph will become 4.14.2</p> <p>Where hospitality is to be provided and it is estimated to cost in excess of £1,000 (exclusive of VAT) per occasion it shall require the prior approval of the relevant Policy Committee.</p>
4.14.4	Reasonable hospitality extended to Council employees by current or prospective clients, customers or suppliers, is an accepted practice, but the acceptance of excessive hospitality or gifts, other than mere tokens, goes beyond what is proper for a public official, regardless of whether such gifts actually do, or are intended to, influence him or her in an official capacity. Any hospitality or gifts must be recorded in a register kept for the purpose by the Head of Legal and Governance.	<p>This paragraph will become 4.14.3</p>
4.14.5	Subject to 4.14.4, gifts may only be accepted by employees provided they fall within the terms of the specific Inland Revenue exemption (ITEPA 2003, s 324) for gifts from third parties. This effectively limits the value of gifts to £250 including VAT.	<p>This paragraph will become 4.14.4</p>
4.14.6	Hospitality or gifts received by Members must be dealt with in accordance with the Councillors' code of Conduct and must be recorded in a register kept for the purpose by the Head of Legal and Governance.	<p>This paragraph will become 4.14.5</p>
5.1.5	Maximum limits for cash holdings shall be agreed with, and shall not be exceeded without the express permission of the Head of Finance.	<p>Maximum limits for cash holdings shall be held securely and shall not exceed the limits set by the Head of Finance unless by prior express permission.</p> <p>Reason: this change in wording reflects the absolute nature of the requirement to hold cash securely on Council premises to avoid financial loss to the Council.</p>

Para	Original Paragraph	Amended Paragraph
5.1.7	<p>Accounts for other chargeable services shall be issued by the Director concerned utilising the corporate debtors system unless dispensation has been given by the Head of Finance. The Head of Finance shall be responsible for collection and pursuit of outstanding sums, in accordance with the Corporate Debt Policy and where relevant instructions approved by the Policy Committee responsible for Finance.</p>	<p>Accounts for other chargeable services shall be issued by the Chief Officer concerned utilising the corporate debtors system unless dispensation has been given by the Head of Finance. The Head of Finance shall be responsible for collection and pursuit of outstanding sums, in accordance with the Corporate Debt Policy and where relevant instructions approved by the Policy Committee responsible for Finance. Reason: the change to Chief Officer complies with the Scheme of Governance.</p>
5.1.8		<p>Where payment for a service is in advance of the service being delivered i.e. payment is made when the service is ordered, the Directors responsible for the service delivery shall account for these upfront payments to the satisfaction of the Head of Finance. Reason: this is being inserted to reflect that some services are now paid upfront and therefore no longer require the issue of an account.</p>
5.1.8	<p>An irrecoverable debt is one where there is no reasonable prospect of recovery. Once formally written off, no active pursuit of the debt will normally be undertaken.</p>	<p>This paragraph will be renumbered to 5.1.9</p>

Para	Original Paragraph	Amended Paragraph
5.1.9	<p>Irrecoverable debts up to a value of £10,000 may be written off by the Head of Finance following consultation with the appropriate Director. Debts in excess of £10,000 may be written off only after due consideration and approval by the Policy Committee responsible for Finance. Debts in excess of £10,000 relating to council house rent arrears (including former tenant arrears) may be written off only after due consideration and approval by the Communities Committee. All irrecoverable debts, where the debtor has been subject to bankruptcy, sequestration or liquidation, may be written off by the Head of Finance.</p>	<p>This paragraph will be renumbered to 5.1.10</p> <p>Irrecoverable debts up to a value of £10,000 may be written off by the Head of Finance following consultation with the appropriate Director. Debts in excess of £10,000 may be written off only after due consideration and approval by the Policy Committee responsible for Finance. Debts in excess of £10,000 relating to council house rent arrears (including former tenant arrears) may be written off only after due consideration and approval by the Policy Committee responsible for Housing. All irrecoverable debts, where the debtor has been subject to bankruptcy, sequestration or liquidation, may be written off by the Head of Finance.</p> <p>Reason: this change has been made to provide flexibility in the event that there are changes to the remits of Policy Committees.</p>
5.1.10	<p>If the impact of such a write-off is such that it will result in the amount of any revenue budget head being exceeded, or an income figure not being reached, then the provisions of Regulation 3.3.2 shall apply.</p>	<p>This paragraph will be renumbered to 5.1.11</p>

Para	Original Paragraph	Amended Paragraph
5.2.7		<p>For a contract of over £50,000 that is cross-directorate and cross-area, there is no requirement for each policy committee which makes a budgetary contribution to approve the expenditure on a directorate work plan. The policy committee with the greatest budgetary contribution will be the lead policy committee and this committee has the delegated power to approve all of the expenditure on that contract provided</p> <ul style="list-style-type: none">a. That if the budgetary contribution of the other policy committee(s) is up to £50,000 then the appropriate Chief Officer has the delegated power to approve that part of the expenditure on the contract.b. That the Chair, Vice-Chair and relevant opposition spokesperson of the other policy committee(s) with a budgetary contribution of over £50,000 to the contract must be consulted and the results of the consultation must be reported to the lead policy committee, prior to the determination of the expenditure on the contract. <p>Reason: this paragraph has been added to reflect the decision of Procedures Committee on 20th April 2018.</p>

Para	Original Paragraph	Amended Paragraph
5.4.1	<p>The Director issuing an order is responsible for examining, verifying and certifying the accuracy of the related invoice(s) and similarly for any other payment voucher or account. Such certification shall be in manuscript, in a manner or form prescribed by the Head of Finance, by or on behalf of the Director. The names of officers authorised to sign such records shall be submitted by each Director to the Head of Finance, together with specimen signatures and initials, and this list shall be amended on the occasion of any change therein. The Head of Finance can provide Services with a dispensation in respect of the authorisation of invoices, where a purchase order has been raised on the i-Procurement system, the approval of this purchase order can be taken as authority for paying the resultant invoice (subject to the goods / services having been “received” on the system, and the resultant invoice matching the goods ordered / received and the value being within a tolerance level specified by the Head of Finance).</p>	<p>The Chief Officer issuing an order is responsible for examining, verifying and certifying the accuracy of the related invoice(s) and similarly for any other payment voucher or account. Such certification shall be in a method or format prescribed by the Head of Finance. The names of officers authorised to sign such records shall be submitted by each Chief Officer to the Head of Finance, together with specimen signatures and initials, and this list shall be updated regularly. Where a purchase order has been raised on the i-Procurement system, the approval of this purchase order can be taken as authority for paying the resultant invoice (subject to the goods / services having been “received” on the system, and the resultant invoice matching the goods ordered and received and the value being within a tolerance level specified by the Head of Finance).</p> <p>Reason: the re-wording of this paragraph allows a more efficient process for paying suppliers subject to appropriate internal controls.</p>