

Agenda Item	9
Report No	AS/21/21

HIGHLAND COUNCIL

Committee: Audit & Scrutiny

Date: 23 September 2021

Report Title: **Review of Financial Regulations**

Report By: The Corporate Audit & Performance Manager

1. Purpose/Executive Summary

- 1.1 This report submits an updated set of Financial Regulations following a review which was supported by the Chartered Institute of Public Finance and Accountancy (CIPFA) who provided valuable feedback as part of the review process. Best practice will continue to be monitored and further recommendations for change made when required.

2. Recommendations

2.1 Members are asked to:

- i. Scrutinise the revised Financial Regulations and recommend their adoption to Council.
- ii. Note that best practice, relevant legislation and improvement actions from internal audits will continue to be monitored with any significant amendments to the Regulations requiring Members attention submitted to Committee for approval.

3. Implications

- 3.1 Resource – There are no new financial implications as a result of this report. But having an up to date set of Financial Regulations provides the platform for effective financial management and governance.
- 3.2 Legal – Implications relate to meeting statutory requirements for local authority financial reporting, internal audit and risk management.
- 3.3 Community (Equality, Poverty and Rural), Climate Change / Carbon Clever, Gaelic there are no identified implications at this time.

3.4 Risk – up to date Financial Regulations support the overall management and governance arrangements for the Council’s finances and as such help to mitigate the risks associated with managing a large organisation’s finances. This includes ensuring adequate governance is in place to support effective financial decisions, assurance on the use of Council resources and the preparation of the Councils’ Annual Accounts for external audit.

4. Background

4.1 The Council’s Financial Regulations are essential to strong financial governance providing clear instruction to Members and Officers on their responsibilities. The Regulations sit alongside a set of instruction notes on managing key elements of the Council’s finances including, for example, income, budget management, treasury, payroll, pensions and travel & subsistence.

5. Review of the Financial Regulations

5.1 Outlined at 5.4 below are the most significant and notable changes being proposed to the Regulations. A number of other minor changes were also identified with the majority being noted in the first bullet point at 5.4 below. The core purpose of the review is to update the Regulations and strengthen governance around financial management. The existing Financial Regulations can be found at https://www.highland.gov.uk/directory_record/418145/financial_regulations and were last updated in June 2016. The main issues arising from the review that required to be addressed cover the following core components of Financial Management:

- Financial Strategy
- Financial Performance Tracking
- Accountability and Performance Management
- Review and update of supporting instruction notes where required

5.2 As part of the CIPFA review of the Council’s financial management the Financial Regulations were also reviewed against best practice. The changes recommended by CIPFA to meet best practice have been incorporated into the proposed reviewed Regulations. The Regulations will be kept under review against best practice, changes to relevant legislation or agreed improvements from internal audit reviews. Any future substantive change to the Regulations or instruction notes will continue to be referred to Committee for approval.

5.3 Committee should note that responsibility for control of changes to the Financial Regulations sits with the Corporate Audit & Performance Manager and this is to ensure that strong governance is maintained. Any changes proposed are therefore carefully considered to ensure potential weaknesses are identified and the integrity of the Regulations is maintained. The ECO Finance and Resources, ECO Performance & Governance, Monitoring Officer and Head of Corporate Finance and Commercialism were consulted as part of the review along with lead officers for relevant sections of the Regulations.

5.4 Key Areas of Change:

- Across the document statutory roles have replaced named post holders in order to minimise amendments due to changes in post titles and organisational structure (table on page 3 of Regulations).
- Paragraph 2.1.2 has been replaced adding clarity around the Council’s role in agreeing the Council’s policy framework and budget.
- Paragraph 2.2.1 the statutory role of the Section 95 Officer has been added.

- Paragraph 2.4.4 updated arrangements in emergency situations to align with the Council's Scheme of Delegation.
- Paragraph 2.5.4 updated for the new Whistleblowing Policy
- Paragraph 3.1 principles updated to reflect current CIPFA/SOLACE Guidance.
- Paragraph 3.2 updated to reflect the Council's use of CIPFA/SOLACE Delivering Good Governance in Local Government: Framework (2016 Edition) into the Local Code of Corporate Governance.
- Paragraph 4.3 amended to reflect the supporting appendices are to be considered Instructions and not guidance as agreed at Audit & Scrutiny Committee in 2019.
- Paragraph 6.1.3 updated to reflect the role of the Corporate Landlord in conjunction with the Chief Financial Officer in capital expenditure planning.
- Paragraph 8.1 supplemented to include the need for revenue estimates to reflect achieving the outcomes and objectives of the Corporate Plan and Service Plans.
- Paragraph 8.2 amended to reflect that revenue estimates will be prepared on a cycle that permits appropriate medium- and long-term financial planning to be undertaken on a rolling basis to ensure the Council's Medium-Term Financial Plan (MTFP) is kept under review.
- Paragraph 8.6 added to reflect the need for a Financial Resilience Assessment as part of the Council's Medium-to Long-Term Financial Strategy.
- Paragraph 9.3 clarification of current practice that revenue budget reports to Council and Committees will include details of actual expenditure to date and the predicted year end position along with a narrative position including reasons for variances and impact on forecasted outturn.
- Paragraph 10.1 a new section on balance sheet management and the requirement for the Chief Financial Officer to report to Council on a quarterly basis the status and movements of the Council's balance sheet including a narrative giving insight into any movement.
- Paragraphs 13.3 – 13.9 added to strengthen and clarify governance around contract management and procurement (note: paragraph 13.9 wording added to paragraph 26.1.6 as also relevant to project governance).
- Paragraph 15.4.1 updated to refer to current legislation and regulation in relation to money laundering.
- Paragraph 15.5.3 updated to clarify governance around the Council's Single Grant Scheme and that all grants to third sector organisations are required to be managed through the Council's Single Grants Database.
- Paragraph 16.1.4 supplemented to reflect the work of Internal Audit relating to Section 5 of the Local Authority Accounts (Scotland) Regulations 2014 where the local authority has a statutory responsibility for maintaining a system of internal control including the management of risk and an effective internal audit function.
- Paragraph 22.1 updated to limit payment of invoices to BACS or Highland Council purchase cards (other than exceptional circumstances) and removing the need to refer payments over £0.5m to the Chief Financial Officer. The current financial system generates reports on all payments added to the system over £250K for review by senior finance staff. A 'planned payments' report also goes to the Treasury Team to ensure there are sufficient funds available for payments to be made.
- Paragraph 22.2 updated to require all internal recharges to be agreed prior to processing.

- Paragraph 24.1.1 updated to reflect the current Accounts Commission direction on meeting the statutory duty on public performance reporting in the context of demonstrating Best Value.
- Paragraph 28.6 updated to reflect that the Corporate Risk Register is now reported to every Audit & Scrutiny Committee.
- Paragraph 29.2.2 amended to reflect that Asset Management Strategies, policies and key decisions on asset management will be agreed by the Housing & Property Committee (previously Corporate Resources Committee).
- Paragraph 30.1.1 updated to reflect the Common Good Policy agreed in March 2019.
- Paragraphs 30.2.3 & 30.2.4 added to provide more detail on Financial Guardianships and Guardianship Orders.

6. Publication and promotion of the Financial Regulations

- 6.1 The regulations are currently published on the Council website and on the Council's Intranet where access is provided to the Instruction notes. It is proposed that these locations will be maintained for access to the revised Regulations but a new approach to storing documentation is adopted using a SharePoint site.
- 6.2 A SharePoint site to hold the Financial Regulations has been developed and this will enable secure version control and archiving along with open access to the current Regulations and Instruction notes for Officers and Members. This will remove the current requirement to manage complex hyperlinking within the Regulations to the instruction notes which is time consuming to maintain. Following agreement by Committee to recommend the adoption of the updated Financial Regulations to Council (28 October 2021) and Council's subsequent approval, the SharePoint site will go live, and the new approach will be promoted across the Council. This will highlight the new arrangements and also provide an opportunity to reinforce the requirement to comply with the Regulations.

Designation: Corporate Audit & Performance Manager

Date: 08 September 2021

Author: Evelyn Johnston, Corporate Audit & Performance Manager



THE HIGHLAND COUNCIL

FINANCIAL REGULATIONS

September 2021

Financial Regulations		
Index		
		Page
Section 1 - Overview		4 – 6
1	Scope	4
2	Responsibilities	4
	2.1 Council/Committees	4
	2.2 Chief Financial Officer	4
	2.3 Monitoring Officer	5
	2.4 Senior Officers	5
	2.5 Personal Responsibilities	5
3	Corporate Governance	6
4	Framework for Financial Administration	7
Section 2 – Financial Management		8 – 13
5	Accounting Procedures and Reporting	8
6	Capital Expenditure Planning	9
7	Control of Capital Expenditure	10
8	Revenue Estimates	11
9	Control of Revenue Expenditure including Virement	12
10	Balance Sheet Management	13
Section 3 – Financial Governance		14 – 44
11	Banking Arrangements	14
12	Conduct of Employees and Members	15
13	Contract Procedure for Services, Goods and Works	16
14	Council Tax and Non Domestic Rates	17
15	Income, Grant Applications and Grant Claims	18
16	Insurance	21
17	Internal and External Audit	22
18	Internal Control and Authorisation	24

19	Inventories and Stores	26
20	Members Remuneration and Expenses	27
21	Orders for Services, Goods and Works	27
22	Payment of Invoices	28
23	Payroll, Pensions and Travel and Subsistence	30
24	Performance Indicators	31
25	Petty Cash (Imprests)	32
26	Project Governance, External Funding, Arm's Length External Organisations and Partnerships	32
27	Records Management	35
28	Risk Management	36
29	Security, Asset Management and Property	36
30	Stewardship of Common Good Funds, Trusts, Charitable Funds and Financial Guardianships	38
31	Tax and VAT Management	40
32	Treasury Management	41
33	Voluntary Funds	44

Key Roles	Current post holder(s)
Chief Financial Officer (Section 95 Officer)	Executive Chief Officer Resources & Finance
Monitoring Officer	Head of Corporate Governance
Chief Education Officer	Executive Chief Officer Education & Learning
Chief Social Worker	Interim Head of Service, Health & Social Care
Delegated Corporate Property Officer (section 29)	Executive Chief Officer Property & Housing
Plant & Vehicles responsible ECO (section 29)	Executive Chief Officer Customer & Communities
Senior Officers	Executive Leadership Team and Senior Leadership Team

SECTION 1 – OVERVIEW

1. SCOPE

- 1.1 The Local Authority Accounts (Scotland) Regulations 2014 are in force. The Council, Senior Officers, Officers and Members, Partners and anyone acting on behalf of the Council shall observe these Regulations and supporting Instruction Notes.
- 1.3 For the purpose of these Regulations, the term “Senior Officer” is taken to mean the Executive Leadership Team and Senior Leadership Team of the Council.
- 1.4 Any contravention of or potential non-compliance with these Regulations will be reported immediately to the Chief Financial Officer, who may discuss the matter with the Chief Executive, the Corporate Audit & Performance Manager and any other Senior Officer as appropriate, to determine any action to be taken.
- 1.5 These Regulations will be applied and interpreted in a manner which takes account of the obligations contained within the Council’s Contract Standing Orders and the Scheme of Delegation.

2. RESPONSIBILITIES

2.1 Council/Committees

- 2.1.1 The Council, through its Committees, will continuously strive to secure Best Value by way of economic, efficient and effective use of resources. Subject to the reserved powers of the Council, the Corporate Resources Committee will be responsible for overseeing the Council’s financial management arrangements.
- 2.1.2 The full Council is responsible for agreeing the Council’s policy framework and budget, which will be proposed by the Council’s Administration in February/March annually.

Key elements of financial planning are:

- The medium term financial plan
- The revenue budget
- The capital strategy
- The capital programme

2.2 Chief Financial Officer

- 2.2.1 These Financial Regulations detail the responsibilities of the Chief Financial Officer who is responsible for the proper financial administration of the Council’s affairs, and acts as financial adviser to the Council, and to such other bodies, trusts and organisations, as the Council shall approve. This is a statutory role as set out in Section 95 Local Government (Scotland) Act 1973. The Chief Financial Officer also has statutory responsibility under Section 5 of the Local Authority Accounts (Scotland) Regulation 2014 for the preparation of the annual accounts.
- 2.2.2 The role of the Chief Financial Officer complies with the requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government along with the CIPFA Financial Management Code (FM Code). The Statement requires that the Chief Financial Officer:

- is a key member of the Leadership Team, helping it to develop and implement strategy and to resource and deliver the organisation's strategic objectives sustainably and in the public interest;
- must be actively involved in, and able to bring influence to bear on all material business decisions to ensure immediate and longer-term implications, opportunities and risks are fully considered, and alignment with the organisation's financial strategy;
- must lead the promotion and delivery by the whole organisation of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.

In undertaking this role, the Chief Financial Officer will have direct access to the Audit & Scrutiny Committee and to External Audit. In respect of the Pension Fund, the Chief Financial Officer will also have direct access to the Pensions Committee.

2.2.3 Any reference in these Regulations to the Chief Financial Officer includes those specifically authorised by them to undertake the various functions concerned.

2.3 **Monitoring Officer**

2.3.1 The Monitoring Officer is responsible for overseeing the implementation of the Local Code of Corporate Governance and monitoring its operation; reviewing the operation of the Local Code of Corporate Governance in practice and reporting annually to the Audit & Scrutiny Committee on compliance with the Local Code and any changes required to maintain its effectiveness.

2.4 **Senior Officers**

2.4.1 Senior Officers will ensure that all relevant employees are aware of these Regulations and that they are fully complied with.

2.4.2 All actions affecting the Council's finances should only be conducted by properly authorised employees. In respect of delegated activity, Senior Officers will establish a clear and effective framework of authorisation for their services.

2.4.3 Senior Officers and other persons authorised by them will ensure that only expenditure within the legal powers of the Council is incurred. Where this is not clear, the authorised person will consult the Monitoring Officer prior to incurring such expenditure. Similarly, the legality of expenditure relating to new Service developments, initial contributions to other organisations and responses to new emergency situations will also be clarified prior to any related expenditure being incurred.

2.4.4 Senior Officers will ensure that all spending is within capital and revenue estimates and conforms to proper accounting standards and will seek clarification of the proper classification, if required, from the Chief Financial Officer. In the case of emergency situations, the Chief Executive has delegated power to authorise expenditure of an emergency nature, in consultation with the Chief Financial Officer, provided that the authorisation is reported to the first following meeting of the appropriate Committee; and otherwise to exercise the Council's powers in emergency situations, in consultation with appropriate Officials and/or Members.

2.5 **Personal Responsibilities**

2.5.1 All officers and Members of the Council should strive to achieve Best Value and

avoid legal challenge to the Council. These responsibilities similarly apply when Members or officers are representing the Council on external bodies and partnerships.

- 2.5.2 In the course of their duties officers and Members will see financial and other materials of a confidential nature. There is a general responsibility that all such matters are not disclosed except to authorised personnel. The requirements of Data Protection legislation (see Section 28.1.4) must always be observed.
- 2.5.3 Officers and Members who serve in a decision-making capacity as members of outside bodies, whether companies, trusts or other associations owe a duty and responsibility to those bodies which are separate and distinct from their duties owed to the Council. On occasions, it is likely that their duties owed to the outside body and to the Council will conflict. The Council has approved guidance on this subject which should be followed, 'Guidance to Councillors and Officers who service on Outside Bodies' (Appendix 1).
- 2.5.4 All officers 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 Whistle Blowing Policy (Appendix 2). Where officers are aware of, or suspect that fraud has been committed, the Corporate Audit & Performance Manager must be contacted in accordance with the requirements of Financial Regulations 16.1.5 and 16.1.6.

3. CORPORATE GOVERNANCE

- 3.1 Corporate governance is about the structures and processes for decision making and accountability, controls and behaviour throughout the Council. The financial affairs of the Council shall at all times be conducted in accordance with the principles set out in the CIPFA/SOLACE Guidance; Delivering Good Governance in Local Government (updated 2016):
- **Integrity:** behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law. Members and officers should behave with integrity and lead a culture where acting in the public interest is visibly and consistently demonstrated. This requires honesty, selflessness and objectivity and high standards of propriety and probity in the stewardship of the Council's funds and the management of the Council's affairs. Integrity is dependent on the effectiveness of the control framework and on the personal standards and professionalism of Members and employees.
 - **Openness:** ensuring openness and comprehensive stakeholder engagement. 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.

In addition to the overarching requirements for acting in the public interest above, good governance also requires commitment to and effective arrangements for:

- Defining outcomes in terms of sustainable economic, social and

environmental benefits;

- Determining the interventions necessary to optimise the achievement of the intended outcomes;
- Developing the organisations capacity, including the capability of its leadership and the individuals within in;
- Managing risk and performance through robust internal control and strong public financial management;
- Implementing good practices in transparency, reporting and audit to deliver effective accountability.

3.2 The Council has integrated the CIPFA/IFAC International Framework: Good Governance in the Public Sector and the CIPFA/SOLACE Delivering Good Governance in Local Government: Framework (2016 Edition) into a Local Code of Corporate Governance which is prepared annually by the Council and is consistent with the principles of these frameworks.

3.3 The Monitoring Officer is responsible for providing the Audit & Scrutiny Committee with a review of the Local Code of Corporate Governance on an annual basis. The Corporate Audit & Performance Manager shall review this independently and report to the Audit & Scrutiny Committee on the adequacy and effectiveness of the Local Code and the extent of compliance with this.

3.4 The Corporate Audit & Performance Manager shall provide an annual Statement on Internal Control to the Audit & Scrutiny Committee that can be used to inform the Annual Corporate Governance Assurance Statement. The Statement on Internal Control must conclude on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control.

4. FRAMEWORK FOR FINANCIAL ADMINISTRATION

4.1 These Regulations may only be amended by the Council, following advice from the Audit and Scrutiny Committee.

4.2. The Chief Financial Officer as the 'Proper Officer' for the proper administration of the Council's financial affairs will oversee the operation of these Regulations within the Council. These provide all Senior Officers, Officers and Members with the written framework which governs the Council's financial affairs.

4.3 All Instruction Notes issued in terms of these Regulations are issued with the same status and authority as if they were contained within these Regulations. Compliance with the Instruction Notes is mandatory in the same way as the Regulations.

4.4 These Regulations and supporting Instruction Notes are not exhaustive and supplementary guidance will be made available by way of manuals, procedures and policy documents. However, not every eventuality can be foreseen, or every circumstance considered. Therefore, there is a general responsibility for all officers to act properly where instances of uncertainty arise and to seek advice from the Chief Financial Officer or Monitoring Officer and their staff.

- 4.5 These Regulations may be varied or revoked by the Council and any variation or revocation will be effective from the first working day after the conclusion of the Council meeting at which they are approved.
- 4.6 Any matters requiring legal interpretation will be referred to the Monitoring Officer.

SECTION 2 - FINANCIAL MANAGEMENT

5. ACCOUNTING PROCEDURES AND REPORTING

Introduction

This section gives advice on the Council's requirements for accounting procedures and records, production and publication of Annual Accounts, maintenance of an asset register and the presentation of External Audit reports to the Audit and Scrutiny Committee.

- 5.1 The accounting procedures, records of the Council, and accounting records will be prepared in accordance with directions provided by the Chief Financial Officer.
- 5.2 The Annual Accounts will be prepared in accordance with the proper accounting practice under Section 12 of the Local Government in Scotland Act 2003 to report the Council's financial performance to the end of the financial year to 31 March. The completed Accounts will be made available to all Members before the 30 June and will be forwarded to the Controller of Audit no later than 30 June. The Council's audited accounts will be presented to the Audit and Scrutiny Committee at the first available opportunity.
- 5.3 Senior Officers must provide any information necessary for the closure of the Accounts within prescribed timescales. Details of the information required and procedures to be followed will be issued annually by the Chief Financial Officer.
- 5.4 In accordance with statutory requirements, the Chief Financial Officer will ensure that a register of all assets owned by the Council is maintained. To enable the asset register to be updated and maintained, all Senior Officers must comply with any procedures and requirements issued by the Chief Financial Officer (or any person to whom maintenance of the register is delegated) in respect of all assets under their control.
- 5.5 The Chief Financial Officer will arrange for the audited Annual Accounts to be presented to the Audit and Scrutiny Committee and make appropriate arrangements for the public inspection of the Council's Accounts.
- 5.6 Within the Annual Accounts the Chief Financial Officer will report the financial results for each Significant Trading Operation. Senior Officers responsible for Trading Operations will timeously provide any information required for their completion in accordance with the Instruction Note: Significant Trading Operations (Appendix 3).

- 5.7 Any matter which is liable to have a material effect on the Council's finances must be discussed with the Chief Financial Officer before any provisional or other commitment is incurred. Where Committee reports make proposals requiring a decision, a paragraph headed "Resource Implications" should be provided in accordance with [Committee Reports - Guidance for Report Writers](#). This should detail any financial, staffing, property, IT, vehicle or plant issues associated with the proposals and how they are to be funded.

6. CAPITAL EXPENDITURE PLANNING

Introduction

This section details the Council's requirements in relation to the General Fund and Housing Capital Plans.

In determining capital expenditure and borrowing levels, Councils must have regard to the Prudential Code for Capital Finance in Local Authorities, a professional Code developed by the Chartered Institute of Public Finance and Accountancy (CIPFA) that sets out a framework for self-regulation of capital spending.

To facilitate the decision-making process and support capital investment decisions, the Prudential Code requires Councils to agree and monitor a number of prudential indicators. Separate indicators are required for Housing Revenue Account (HRA) and the General Fund capital investment.

Instruction Note: Definition of Capital Expenditure (Appendix 4)

- 6.1 The following procedures apply to the preparation of the Council's Capital Plans:
- 6.1.1 The Chief Financial Officer in consultation with the Chief Executive, and other Senior Officers as necessary, will co-ordinate the preparation of the General (non-Housing) Capital Plan.
- 6.1.2 The responsible Corporate Property Officer in consultation with the Chief Executive and Chief Financial Officer will co-ordinate the preparation of the Housing Capital Plan.
- 6.1.3 In order to prepare the above plans Senior Officers will provide any information as required, in line with guidance issued by the Corporate Landlord in conjunction with the Chief Financial Officer.
- 6.1.4 The General Fund (non-Housing) and the Housing Revenue Account, Capital Plans will be submitted to Council for approval and, where required, the approved Capital Plan(s) will be submitted to the Scottish Ministers by the Chief Financial Officer.
- 6.2 The Council will review and approve the Capital Programme and the Strategic Committees will deliver relevant Capital Programmes (containing the estimated capital expenditure for each project) covering five financial years with regard to:
- the Council's corporate values and priorities;

- the nature and scale of local investment needs; and
- the availability of capital resources.

6.3 Once the Capital Programme has been approved by the Council, Senior Officers will ensure that all statutory and non- statutory approvals and permissions, including legal entry to any land or buildings, are available in due time.

6.4 Subject to sections 9.4 and 9.5 of these Regulations, approval of the capital programme gives Senior Officers authority to incur expenditure on specific projects.

7. CONTROL OF CAPITAL EXPENDITURE

Introduction

This section details the Council's requirements for monitoring capital expenditure in relation to the approved Capital Programmes. It also provides guidance for dealing with emergencies and the subject of consultation approvals. Any matter having a material effect on the Council's finances should be subject to consultation with the Chief Financial Officer before any provisional or other commitment is incurred, or before reporting details to relevant Committees.

7.1 All Committees will monitor and regulate the financial performance of the Capital Programmes for which they are responsible.

The requirements of Contract Standing Orders (see Section 12.1) must be observed with regard to any capital expenditure commitments.

7.2 Senior Officers will ensure that all relevant Government approvals have been obtained before the commencement of all capital projects, including those projects subject to grants for Partnership, specific Scottish or UK Grants and European Grants. Reference should be made to Section 14 of these Regulations which refers to Grant Procedures.

7.3 Subject to Section 9.4 and 9.5 of these Regulations, capital expenditure will only be incurred on projects included in the Capital Programme, unless a report revising the programme has been approved by the Council for incurring expenditure in that year.

7.4 Senior Officers, after consultation with the Chief Financial Officer, may alter a Capital Programme of a particular Service, within the approved programme, in any of the following ways:

- by accelerating the progress on a project by deferring the start of other projects within the programme;
- by spending on a project programmed to start at a later date in the year where delays are occurring generally in the Programme; or
- by delaying or accelerating projects programmed to start at a later date where project over/underspends are identified.

Any changes made should be reported to the next relevant Committee.

7.5 Senior Officers, in consultation with the Chief Financial Officer, will provide regular budget monitoring statements with actual expenditure to date and the predicted year

end position to all relevant Strategic Committees and an overview to the Corporate Resources Committee. Explanations for any significant variances will be provided by Senior Officers who must ensure that the provision in the Capital Programme is not exceeded and that the expenditure conforms to the requirements of these Regulations. At the completion of each project on the Capital Programme, Senior Officers will provide relevant Strategic Committees with a report on the total cost of the project against the original budget and timescale.

- 7.6 The Chief Financial Officer in consultation with Senior Officers will bring forward recommendations to the Council in relation to managing any over programming assumed with the capital programme.

8. REVENUE ESTIMATES

Introduction

This section details the Council's requirements for the preparation of revenue estimates. Senior Officers have a key role to play in supplying the Chief Financial Officer with accurate and timeous information, in order to ensure that realistic budgets are set for Service activity levels. The approval of the revenue estimates by the Council gives Senior Officers the authority to incur appropriate expenditure to deliver approved service levels.

- 8.1 The format of the revenue estimates, information required and prescribed timescales to be met will be determined by the Chief Financial Officer. Detailed guidance will be issued to Senior Officers on the preparation of revenue estimates. Estimates should focus on delivering the outcomes and objectives agreed in the Council's Corporate Plan and in Service Plans.
- 8.2 The Chief Financial Officer will annually prepare revenue estimates of income and expenditure for the forthcoming financial year. In addition, revenue estimates will be prepared on a cycle that permits appropriate medium- and long-term financial planning to be undertaken on a rolling basis to ensure the Council's Medium-Term Financial Plan is kept under review.
- 8.3 The relevant Senior Officer will annually prepare revenue estimates of income and expenditure for the forthcoming financial year in respect of the Housing Revenue Account for detailed consideration by the relevant Services Committee who will make recommendations to the Council.
- 8.4 The Council will review and approve the revenue estimates, with any revisions as necessary, and determine the Council Tax and Housing Rents and other charges.
- 8.5 Approval of the revenue estimates gives Senior Officers authority to incur relevant expenditure and to raise appropriate income, within the scope of Council policy to meet their budget targets.
- 8.6 In meeting the CIPFA Financial Management Code (Standard F) the Council will carry out a credible and transparent Financial Resilience Assessment as part of the Council's Medium – to Long-term Financial Strategy.

9. CONTROL OF REVENUE EXPENDITURE INCLUDING VIREMENT

Introduction

This section provides details of the Council's requirements for budgetary control and virement and also refers to delegated powers regarding the incurring of expenditure in emergency situations.

Instruction Notes: Budgetary Control (Appendix 5)
Journal Entries (Appendix 6)
Budget Virement (Appendix 7)

- 9.1 It will be the duty of Senior Officers to monitor and control revenue budgets for their Service and, if necessary, submit requests for supplementary estimates to the Corporate Resources Committee. In particular they should ensure that an accountable budget holder is identified for each Service cost centre.
- 9.2 In order to assist in this matter, the Chief Financial Officer will ensure that an appropriate framework for budgetary management and control is in place and that regular financial reports are produced in an appropriate format for monitoring purposes. Senior Officers must ensure that revenue monitoring reports contain sufficient explanatory detail, particularly with regard to reporting significant adverse or favourable revenue variances. The Instruction Note on Budgetary Control (Appendix 5) provides this framework and sets out the responsibilities of Budget Holders, Senior Officers and the Chief Financial Officer. Budget holders must ensure that expenditure charged against cost centres for which they are responsible is necessary for the conduct of the Council's business and is duly authorised and correctly classified. Payments over £10,000 in respect of new commitments or one-off grants must have committee approval. Such approval must also be obtained in respect of various related payments which, when aggregated, exceed £10,000.
- 9.3 Senior Officers in consultation with the Chief Financial Officer will produce summarised monitoring reports for each Committee. These reports will include details of actual expenditure to date and the predicted year end position along with a narrative position including reasons for variances and impact on forecasted outturn.
- 9.4 The Chief Executive has the following delegated powers in respect of expenditure of an emergency nature:
- 9.4.1 To authorise expenditure of an urgent/emergency nature in consultation with the Chief Financial Officer, provided that the expenditure is reported to the first available meeting of the appropriate Committee.
- 9.4.2 To take such immediate action, as may be necessary, to protect the interests of the Council in relation to:
- Emergencies arising from industrial action
 - Any other emergency which, in the opinion of the Chief Executive, in consultation with the appropriate officers and elected Members, requires such action.
- 9.5 The Chief Financial Officer should report on any expenditure which is incurred under Section 84 of the Local Government (Scotland) Act 1973 (as amended), relating to

emergencies or disasters involving destruction of or danger to life or property. Such expenditure should be reported to the first meeting of the relevant Committee, after the expenditure has been incurred.

- 9.6 The procedures for effecting accounting adjustments by journal transfer are provided in the Instruction Note – Journal Entries (Appendix 6).
- 9.7 Virement is available to budget holders in order to ensure the proper management of Service budgets and to contain overspending. All requests for Virement must be made in writing to the respective Service Finance Manager and must follow the principles referred to in the Instruction Note – Budget Virement (Appendix 7).
- 9.8 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 regular basis. Services must obtain any necessary Instruction from the Finance Service regarding reconciliation processes and the financial ledger and must also agree the process with the Finance Service

10. BALANCE SHEET MANAGEMENT

- 10.1 The Chief Financial Officer will report to Council on a quarterly basis the status and movements of the Council's balance sheet including a narrative giving insight into any movement. The scope of the report should include all borrowing and liabilities, reserves and bank/cash position. It is the Chief Financial Officers responsibility to advice the Council on prudent levels of balances and reserves to be maintained by the Council and use of the contingency fund has to be agreed by the Chief Financial Officer.

SECTION 3 FINANCIAL GOVERNANCE

11. BANKING ARRANGEMENTS

Introduction

This section details the Council's requirements for banking including:

- Appointment of bankers
- Opening/Closing of bank accounts-
- Cheques and Cheque control-
- Online banking

- 11.1 The Chief Financial Officer will be responsible for the appointment of the Council's bankers. All arrangements with the Council's bankers will be made by the Chief Financial Officer who will open or close bank accounts, including Post Office banking accounts as necessary. All requests to open or close bank accounts must be made to the Chief Financial Officer.
- 11.2 Bank accounts shall be in the name, or incorporate the name, of the Highland Council, and not in the name of any officer or designation.
- 11.3 All cheques including Post Office banking payment forms will be ordered on the authority of the Chief Financial Officer who will make the necessary arrangements for their safe custody.
- 11.4 Cheques on the Council's bank accounts, including Post Office banking accounts, will bear the facsimile signature of, or be signed by, the Chief Financial Officer or other designated signatory approved by the Corporate Resources Committee to undertake this task.
- 11.5 All Council employees and third parties acting on behalf of the Council involved in cheque handling or control will be made aware that:
- 11.5.1 Under no circumstances will any of the Council's cheques be altered. Any cheque which has been altered will be treated as a fraudulent attempt to obtain payment.
- 11.5.2 Requests to issue or re-issue a cheque to a third party will normally be refused. The Council is bound to pay its creditors but not to settle affairs on their behalf. Under exceptional circumstances the Chief Financial Officer may alter the name of the payee and delete the crossing.
- 11.5.3 Where a creditor reports the non-receipt or loss of a cheque, the Creditors Section, Finance Service, will only issue a replacement cheque where the cheque has not been cashed, the bank has 'stopped' the cheque and an indemnity certificate has been completed by the creditor. Similar arrangements will be put in place for Housing Benefit cheques to enable Finance Team Leaders to undertake this action.
- 11.6 The Chief Financial Officer will make all necessary arrangements through the use of online banking, to enable appropriate transactions to be processed through the Bankers Automated Clearing System (BACS) and the Clearing House Automated

Payments System (CHAPS). In order to operate online banking, the designated signatories referred to in section 10.5 above and Principal Accountants as delegated by the Chief Financial Officer and approved by Resources Committee shall authorise all transactions and shall be responsible for approving the limits, permissions and levels of authority granted to other system users. All system users shall comply with the terms and conditions of use stipulated by the Bank.

- 11.7 The Chief Financial Officer shall be responsible for giving any indemnity required by the Council's bank regarding the signature of cheques by mechanical means, or where pre-signed computer cheques are used, or where the services of a security firm are used for the deposit or receipt of cash to the bank.

12. CONDUCT OF EMPLOYEES AND MEMBERS

Introduction

The Bribery Act 2010 requires commercial organisations, including Councils, to have adequate procedures in place to prevent bribery. Two of the key procedures in this respect are the [Code of Conduct for Employees](#) and the [National Code of Conduct for Councillors](#). Members and employees are both personally liable for their conduct and as such must comply strictly with the terms of these Codes.

- 12.1 Officers and Members must be aware that the Bribery Act 2010 introduced four offences as follows:
- Offering/promising/giving of a bribe;
 - Agreeing to/receiving/accepting a financial or other bribe;
 - Bribery of a foreign public official;
 - Failure of an organisation to prevent a bribe being paid for or on its behalf
- 12.2 The Act states that bribery is a serious criminal offence. The Council's position is that it will not tolerate bribery in the administration of its duties and therefore any such activity is likely to involve disciplinary proceedings against the individuals concerned.
- 12.3 Senior Officers 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. The code provides guidance in the following areas:
- Relationships, including those with contractors and suppliers
 - Conflicts of interest
 - Offers of hospitality and gifts
- 12.4 Members hold public office under the law and must observe the rules of conduct stemming from the law, the [National Code of Conduct for Councillors](#), guidance from the Standards Commission and the rules, standing orders and regulations of the Council. It is each Member's personal responsibility to comply with these and review regularly, and at least annually, their personal circumstances with this in mind, particularly when their circumstances change. Members must not, at any time, advocate or encourage any action contrary to the Code of Conduct.

13. CONTRACT PROCEDURES FOR SERVICES, GOODS AND WORKS

Introduction

This section refers to the Council's contract procedures.

Full procurement procedures and guidance are available within the Council's Policy document entitled, [Contract Standing Orders](#)

- 13.1 Contract Standing Orders provide high-level guidance with regard to the tendering of contracts for services, goods and works. This guidance includes, but is not limited to, the following matters:
- Basic principles of public contracting
 - Tendering and quotation requirements and limits
 - Business cases
 - Advertising of tenders
 - Selection and award criteria
 - Provision of de-brief information
 - Risk management procedures
 - Engagement of consultants
- 13.2 Detailed operational requirements are set out in the Council's [Procurement Manual](#).
- 13.3 The Shared Procurement Service will maintain a contracts register and electronic copies of all contracts issued and entered into by the Council.
- 13.4 Officers entering into contracts must ensure that upon completion of any contract document, contract information is entered onto the Register and the Council's copy of the original contract is sent to the Council's Shared Procurement Service for safe storage.
- 13.5 Variations to contracts to be written in an approved form. The relevant Executive Chief Officer or Senior Manager nominated by them or the contract administrator appointed by the Council shall authorise variations and a copy of the variation order be retained as a document appertaining to the contract.
- 13.6 In accordance with the Council's Contract Standing Orders, for contracts of a value of above £50,000 (Goods & Services) or £2,000,000 for works (including call off from a framework agreement) a procurement business case must be submitted for approval to the Commercial & Procurement Shared Service and Chief Financial Officer who shall forward the business case along with their recommendation onto the appropriate Strategic committee or Strategic board, the procurement business case must be submitted on the approved template within the Procurement Manual. All contracts above this value must be signed by an officer of the Council with delegated authority to sign contracts as outlined in the Scheme of Delegation.
- 13.7 Where contracts are administered on behalf of the Council by persons other than the Council's own officers, the Executive Chief Officer concerned should ensure that those persons comply with the Council's Financial Regulations and Contract

Standing Orders as if they were Officers of the Council. The relevant Executive Chief Officer and the Chief Financial Officer should be entitled to inspect all records and documents relating to such contracts.

- 13.8 When entering into contracts, staff must not deviate from the Council's standard purchasing terms unless this is formally agreed by the Chief Financial Officer.
- 13.9 The relevant Chief Executive Officer shall ensure there is rigorous on-going monitoring of any contract, partnership agreement or ALEO. Regular progress reporting to Strategic Committee accounting for any variances in cost or timescale for delivery to ensure transparency and appropriate performance management and governance is required for arrangements over £4m. For contract changes within the scope of the agreed business case and subsequent contract the contract owner must follow the variation process outlined in the procurement manual, for any changes out with agreed terms and approval limits the guidance of the Commercial & Procurement Shared Service must be sought. All contract changes (Variation to Contract Form) must be signed by an officer of the Council with delegated authority to sign contracts as outlined in the Scheme of Delegation.

14. COUNCIL TAX AND NON-DOMESTIC RATES

Introduction

This section sets out the Council's policies in relation to the billing and collection of Council Tax and Non-Domestic Rates. It includes:

14.1 Council Tax

The Chief Financial Officer will ensure that:

- 14.1.1 An accurate Council Tax bill is issued to every property contained in the Valuation List based on the banding determined by the Highlands and Western Isles Valuation Joint Board, levying the Council Tax charge for that band as declared by the Council and applying such reliefs, exemptions, reductions and discounts as are due to the Council Tax payer.
- 14.1.2 There are proper accounting arrangements and payment facilities in place to enable payments to be posted to and accounted against the Council Tax payer's account and to issue appropriate receipts, where requested.
- 14.1.3 There are arrangements in place for appropriate recovery action in respect of unpaid sums.
- 14.1.4 Appropriate arrangements are in place to ensure that in the event of non-payment, agents can be employed to undertake appropriate diligence to affect recovery.
- 14.1.5 There are arrangements in place to refund sums overpaid, or to arrange a transfer to other appropriate Council Tax accounts.
- 14.1.6 Information is provided to individuals regarding their entitlement to relief, benefits and discounts in order that applications may be made as applicable.

14.1.7 There are arrangements in place to regularly review all exemptions, discounts, relief, reductions awarded, in order to ensure that they are only awarded in valid circumstances.

14.2 Non-Domestic Rates

The Chief Financial Officer will ensure that:

14.2.1 An accurate Non-Domestic Rates bill is issued to every property in the Valuation Roll based on the Rateable Value determined by the Highlands and Western Isles Valuation Joint Board, levying the Non-Domestic Rates declared by the Scottish Government and applying any appropriate relief and reductions.

14.2.2 There are proper accounting arrangements and payment facilities in place to enable payments to be posted to and accounted against Rate Payers' accounts and for issue of appropriate receipts, when requested.

14.2.3 There are arrangements in place for recovery action.

14.2.4 Appropriate arrangements are in place to ensure that in the event of non-payment, agents can be employed to undertake diligence to affect recovery.

14.2.5 There are arrangements in place to refund sums overpaid, or to arrange a transfer to other accounts.

14.2.6 Information is provided to rate payers regarding their entitlement to reliefs and discounts.

14.2.7 There are arrangements in place to regularly review all relief and reductions awarded, in order to ensure that they remain valid.

14.3 Scottish Welfare Fund

14.3.1 The Chief Financial Officer will ensure that proper administration, accounting and 4payment arrangements are in place for the Scottish Welfare Fund.

14.4 Local Support Services for Universal Credit

14.4.1 The Chief Financial Officer will ensure that proper administration and accounting arrangements are in place for delivery of Local Support Services required as a consequence of the introduction of Universal Credit.

15 INCOME, GRANT APPLICATIONS AND GRANT CLAIMS

Introduction

This section details the Council's procedures for the collection of income. It includes:

- a requirement for an annual review of charges
- arrangements for collection, custody, control and banking of income
- notification of relevant information for submission or certification of grant claims to the Chief Financial Officer

Instruction Notes:

- Corporate Charging Policy (Appendix 8)
- Receipt of Income (Appendix 9)
- Issue of Debtors Accounts (Appendix 10)
- Anti-Money Laundering Procedure (Appendix 11)
- Grant Claim Financial Procedures (Appendix 12)

15.1 Corporate Charging Policy

- 15.1.1 Unless prescribed by statute, the Council will determine the rates to be charged for goods and services supplied to the public and other organisations. An Instruction Note relating to the setting and reviewing of fees and charges is available, entitled Corporate Charging Policy (Appendix 8).
- 15.1.2 As part of the annual budgetary process, the Highland Council will agree an annual inflationary uplift to be applied to fees and charges. Each Senior Officer will apply the agreed increase as appropriate subject to exclusions, for example, where charges are externally set or where an alternative variation in charge has been agreed. In respect of the Fees and Charges relating to the Housing Revenue Account, these will be set as part of the annual process referred to at Section 8.3.
- 15.1.3 Where there are proposals to introduce new charges, or to vary charges other than by the inflationary amount, these should be presented to the Council as budget options as part of the budget setting process, with consideration by Strategic Committee where appropriate.
- 15.1.4 Authority to vary, cease or introduce new charges outside of the budget setting process lies with the relevant Strategic Committee.

15.2 Receipt of Income

- 15.2.1 The collection of all income due to the Council will be in accordance with the Council's Collection of Payments Strategy. All amounts due to the Council will be collected in accordance with arrangements, systems and Instruction Notes approved by the Chief Financial Officer who has the authority to inspect any relevant documentation as considered necessary.
- 15.2.2 Personal cheques must not be cashed from income held on behalf of the Council
- 15.2.3 Transfers of income between employees must be evidenced by way of a signature for its receipt and retained within Service records.
- 15.2.4 The Chief Financial Officer has defined arrangements to ensure the appropriate recording of all income due, and the proper collection, control and banking of all income due to the Council, by way of the Instruction Note on Receipt of Income (Appendix 9).
- 15.2.5 To assist with the Council's cash flow and treasury management operations, staff should advise the Council's Treasury Team (treasury.team@highland.gov.uk) in

advance of any receipts greater than £500,000 and the expected date of receipt.

15.3 Issue of Debtor Accounts

- 15.3.1 Income arising from work done, goods supplied, or services rendered should, where possible, be paid for in advance or at the time of delivery. If not, Senior Officers must ensure that debtor accounts are rendered within 14 days from the due date (or month end for regular invoicing) as detailed in the Instruction Note on Issue of Debtors Accounts (Appendix 10). Debtor accounts, once raised, may only be cancelled by an appropriate authorised officer, where it has been raised in error.
- 15.3.2 The Chief Financial Officer shall lodge claims with the appropriate person (including Liquidators and Trustees in Sequestration) in relation to sums due to the Council.
- 15.3.3 Information on the procedures for writing off debt due to the Council, but unpaid, is contained within the Instruction Note on Issue of Debtors Accounts (Appendix 10).

15.4 Anti-Money Laundering

- 15.4.1 The Proceeds of Crime Act 2002, the Terrorism Act 2000 and the Money Laundering, Terrorist Financing and Transfer of Funds (information on the Payer) Regulations 2017 outline the obligations on organisations and their employees to establish and adhere to internal procedures to prevent the use of their services for the purposes of money laundering. The procedures required by the above legislation include maintaining processes for verifying and recording the identity of counterparties, reporting suspicions, and ensuring that employees involved in this area are appropriately trained.
- 15.4.2 The Chief Financial Officer is responsible for ensuring that Council Services and their staff are aware of the above legislation and has provided an Anti-Money Laundering Procedure to meet legislative requirements and to mitigate the risk of money laundering to the Council (Appendix 11).

15.5 Grant Applications and Claims

- 15.5.1 Senior Officers are responsible for ensuring that all opportunities for the Council to claim available grants are taken and grant applications are submitted to the awarding body. In submitting claims for grant Senior Officers must ensure that they are fully aware of, and comply with, and terms and conditions which require to be observed in respect of the grant application. Reference to this is provided in the Instruction Note on Grant Claim Financial Procedures (Appendix 12).
- 15.5.2 Senior Officers must maintain a register of grants and ensure that grant claims are completed timeously.
- 15.5.3 With regard to the payment of grants, the Council requires application forms to be submitted in accordance with the Council's single grants and discretionary funding scheme. Instruction Notes, and a grant register are maintained on the Council's corporate grant database, SharePoint. The Communities and Place Service has overall ownership of the database and Business Support will log all incoming grant applications. Thereafter, each sponsoring Service will apply the grant funding

Instruction and maintain SharePoint for all relevant Service grant applications. All grants to third sector organisations are required to be managed through the Council's Single Grants Database.

16. INSURANCE

Introduction

This section provides details of the Council's insurance arrangements.

Instruction Notes:

- Insurance Claims Procedures and Uninsured Losses (Appendix 13)
- Vacant Properties (Appendix 14)

16.1 Insurance Arrangements

16.1.1 The Chief Financial Officer shall affect all insurance cover and negotiate all claims with insurers.

16.1.2 The Chief Financial Officer may appoint Insurance Brokers, Advisers, Insurers/ Underwriters and Claims Handlers, to advise on all aspects of insurance in accordance with the requirements of Contract Standing Orders.

16.1.3 Senior Officers will notify the Chief Financial Officer of all new areas of service provision that may increase the Council's overall exposure to risk and which should be covered by insurance, or of any service which no longer requires insurance arrangement.

16.1.4 The Chief Financial Officer will take out the necessary insurances to protect the interests of the Council and will review the terms and conditions of such insurances as required.

16.2 Review of Insurances

16.2.1 The Chief Financial Officer shall annually, or as necessary, review all insurances, in consultation with relevant Senior Officers.

16.3 Claims Procedure

16.3.1 Senior Officers will immediately notify the Chief Financial Officer of all losses as detailed in the Instruction Note Insurance Claims Procedures (Appendix13). Under no circumstances should liability of the Council be acknowledged or admitted by an official or a Member.

16.4 Vacant Properties

16.4.1 Senior Officers will notify the Insurance Team and the Corporate Property Officer for property of vacant properties as outlined in the Instruction Note entitled Vacant Properties (Appendix 14).

16.5 Insurance Fund

- 16.5.1 The insurance fund provides self-insurance for certain categories of risk not covered through a conventional insurance policy with an insurance company.
- 16.5.2 The Chief Financial Officer has also determined an appropriate level of excess for each category of insurance purchased based on its assessment of risk and previous losses. The insurance fund will be used to meet the cost of these excesses and any claims not covered by commercial insurance policies.
- 16.5.3 The operation of the insurance fund enables the Council to determine the most cost-effective method of managing and financing risk by self- insurance and the external purchase of insurance. The fund is operated in accordance with the guidance issued by Local Authorities (Scotland) Accounts Advisory Committee (LASAAC) in December 2005.

17. INTERNAL AND EXTERNAL AUDIT

Introduction

This section details the role and responsibilities of both Internal and External Audit to the Council.

17.1 Internal Audit

- 17.1.1 The Internal Audit Section is managed by the Corporate Audit & Performance Manager and operates in accordance with the Public Sector Internal Audit Standards (PSIAS). The Standards define Internal Audit as “an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.
- 17.1.2 The purpose, authority and responsibility of Internal Audit within the Highland Council are described in the [Internal Audit Charter](#). The Charter sets out the independent role of the Chief Audit Executive in complying with the requirements of the PSIAS.
- 17.1.3 The work of the section is reported to the Audit & Scrutiny Committee, and their remit is described in the [Council’s Scheme of Delegation](#).

The Corporate Audit & Performance Manager, The Corporate Audit Manager (Chief Audit Executive) and the External Audit Senior Manager has right of free and confidential access to the Audit & Scrutiny Committee and, in respect of Pensions, the Pensions Committee in order to raise such concern as they may have.

- 17.1.4 The Corporate Audit & Performance Manager must ensure an annual Statement on Internal Control is provided to the Audit & Scrutiny Committee that can be used to inform the Annual Governance Statement. The Statement must conclude on the overall adequacy and effectiveness of the Council’s framework of governance, risk management and control. This work relates to Section 5 of the Local Authority Accounts (Scotland) Regulations 2014 where the local authority has a statutory

responsibility for maintaining a system of internal control including the management of risk and an effective internal audit function.

17.1.5 The Corporate Audit & Performance Manager must be contacted in the following circumstances:

- where fraud has occurred or is suspected (see 16.1.6 below);
- where a Whistleblowing complaint suggests that an irregularity has been committed or there are sufficient grounds for concern (see 16.1.7 below); and
- when a new system is being introduced or materially altered.

This is to ensure that any new system or changes being made incorporate the appropriate expected internal controls.

17.1.6 Whenever any matter arises which involves, or is thought to involve any suspected irregularities, the Senior Officer concerned will immediately notify the Corporate Audit & Performance Manager. The Corporate Audit & Performance Manager will take such steps as are considered necessary to investigate any such matters.

The Council has an [Anti-fraud and Anti-corruption Policy](#) and an [Anti-fraud and Anti-corruption leaflet](#) which outlines the Council's commitment to creating an anti-fraud culture and maintaining high ethical standards in the administration of public funds. Senior Officers are responsible for ensuring that their employees are aware of this policy and the need for adherence.

17.1.7 The Council has a Whistleblowing Policy (Appendix 2) which allows employees to raise any concerns regarding malpractice or wrongdoing and receive feedback. The Policy also outlines how concerns are dealt with and actions which may be taken including:

- the commencement of an internal investigation;
- referring the matter to Internal Audit, External Audit or the Police as appropriate;
- the undertaking of an independent inquiry.

17.1.8 The scope of Internal Audit work allows for unrestricted coverage of the Council's activities and unrestricted access to any information necessary during the course of an audit review/investigation including:

- the right of access of all reasonable times to all records, assets, personnel and premises including those of partner organisations, where relevant;
- the requirement to receive such explanations as are necessary concerning any matter under examination.

17.1.9 Agreed actions arising from Internal Audit will be monitored by the Internal Audit Team through the Galileo Audit System and External Audit reports shall be monitored by the responsible Service through the Performance & Risk Management System (PRMS). Where it is necessary to request an extension in respect of the agreed dates to Internal Audit actions, this must be submitted by the ECO or Head of Service concerned to the Corporate Audit Manager for agreement.

17.2 External Audit

17.2.1 The Accounts Commission arrange for the independent external audit of the Council and will appoint the External Auditors.

17.2.2 The External Auditor's authority is mostly contained within the Local Government (Scotland) Act 1973. In addition, their responsibilities are established by the Public Finance and Accountability (Scotland) Act 2000 and the Code of Audit Practice approved by the Auditor General for Scotland and guided by the auditing profession's ethical guidance.

The Council's External Auditors also have the right to demand access to all records, documents and correspondence relating to any financial or other transaction of the Council and receive such explanation as are necessary, concerning any matter under examination.

18. INTERNAL CONTROL AND AUTHORISATION

Introduction

This section provides advice on internal control and authorisation. Senior Officers are required to ensure the principles outlined are incorporated in the working practices of their Service.

Instruction Notes: Authorisation and Access Control (Appendix 15)

18.1 Internal Control

18.1.1 Internal control is defined as the whole system of controls, financial or otherwise, established by management, to provide reasonable assurance of:

- effective and efficient operations
- reliable financial information and reporting
- safeguarding assets
- compliance with laws and regulations

18.1.2 Internal controls will vary throughout the Council, depending on activity, size, volume of transactions and geographical distribution. However, three types of internal control will apply as a minimum requirement:

- Separation of Duties
- Internal Check
- Management Review

18.1.3 Separation of duties will be introduced so that individuals cannot influence financial transactions from start to finish. Therefore, transactions will be progressed in stages by different people. For example, orders could be prepared by one person, received and checked off by a second person, and invoice settlement handled by a third; similarly, debtor accounts will be raised, payments received, and income controlled in separate offices. Where only a small number of employees are available alternative arrangements with appropriate controls must be agreed with the Chief Financial Officer.

- 18.1.4 To reduce the chance of errors, all financial transactions must be subject to internal check at appropriate stages.
- 18.1.5 For the purposes of security, key systems are protected and as such it is imperative that passwords are not disclosed under any circumstances. The procedures for access controls are detailed in the [Information Security & Assurance Policy](#).
- 18.1.6 In order to provide assurance as to the effectiveness of internal controls within financial systems the Corporate Audit & Performance Manager must be consulted and give assurance on the adequacy of internal controls when any financial system is being introduced, or materially altered, as outlined in Section 16.1.5 of these Regulations.

18.2 Authorisation and Access Control

- 18.2.1 The authorisation of financial transactions is achieved within the Council's main financial systems by way of embedded access rights which are granted to officers on the basis of business and security requirements. These access rights should be broadly defined in an Access Control Policy, specific to each financial system. The requirements with regard to access control and authorisation are provided in the Authorisation and Access Control Instruction Note (Appendix 15).
- 18.2.2 Senior Officers are responsible for determining those officers responsible for the processing and authorising of financial transactions to meet the needs within the management structures of their Service.
- 18.2.3 The access rights of users of all financial systems should be reviewed and verified on a regular basis, at least annually, with reviews of higher access users undertaken more frequently.
- 18.2.4 Where access is granted to a single user to a system or different systems that allow the user to complete a financial transaction from start to finish, the requirements referred to at section 17.1.2 above must be strictly observed at all times by the user concerned.
- 18.2.5 The Council will only enter into transactions that are required for the essential conduct of its business. Consequently, all financial transactions will be authorised before being carried out.
- 18.2.6 By authorising financial transactions, officers are accepting responsibility for them, confirming immediately that they are satisfied the following are true:

Orders: Orders must meet an evidenced Council need and must be clear and unequivocal in their requirements. They must be placed with formally contracted suppliers/ service providers/ contractors. Where no contract exists, the requirements of the Council's Standing Orders Relating to Contracts must be adhered to in terms of establishing one.

Timesheets and overtime claims: The hours stated are actually worked by the Council employee concerned, have not been previously paid, and are in accordance with a contract of employment. Overtime claims comply with the terms of the Council's Overtime Working and Flexible Work Hours Policies;

Expense claims: The activity claimed was approved in advance; performed in the manner stated and was necessary to the business of the Council. The claim conforms with the relevant rates or entitlements in terms of the Council's Code of Conduct for Travel and Subsistence;

Petty cash claims (imprest): The expenditure incurred was for items of a minor nature (less than £25); is fully supported by till receipts or other reliable vouchers; is allocated to valid account codes; the imprest account has been inspected and the cash in hand checked in accordance with the correct procedures referred to at Section 24;

Invoices (including interim contract payments): The goods or services have been received by the Council, a valid official order number is quoted and met the required quality standard; is a legitimate expense; the price paid is consistent with order details or other contractual arrangement with the supplier; the invoice has not previously been paid; and the costs have been allocated to appropriate codes in the Council's accounting records;

Sales Ledger (including sundry debtors): The account represents the amount due for services or supplies rendered for a statutory fee, or an undischarged debt, is for the amount obtainable under the current scale of charges is correctly calculated and payment has not previously been rendered.

18.2.7 Officers must only authorise a transaction when they are aware of its circumstances; are given access to documents supporting it if required and are in a position to challenge it.

18.2.8 Officers will not authorise transactions in which they have a personal interest.

1.2.9 When officers authorise manual transactions they must sign their name in full. The use of initials alone or the use of an ink stamp is not acceptable.

19. INVENTORIES AND STORES

Introduction

This section gives details of Council's requirements for inventories and stores.

Note: For ease of reference the Regulations uses these terms as follows:

Inventories: Furniture, fittings, equipment, plant, machinery, vehicles, computer equipment, software and other similar items.

Stock or stores: Items used in the delivery of a service - fuel, building materials, spare parts, protective clothing and other similar items.

Instruction Notes: Inventory Maintenance (Appendix 16)
Identification and Disposal of Surplus Assets (Appendix 17)
Stocks and Stores (Appendix 18)

19.1 Senior Officers will be responsible for maintaining a perpetual or continuous inventory for all assets under their control, and for ensuring that annual checks, by

officers independent from the relevant establishment etc., is undertaken as outlined in the Instruction Note entitled Inventory Maintenance (Appendix 16). Where discrepancies are noted positive action should be taken by Senior Officers to rectify the situation.

- 19.2 It is the responsibility of all Managers to undertake checks on all assets under their control on an annual basis. Any assets identified as being surplus to their needs should be treated in accordance with the Instruction Note entitled Identification and Disposal of Surplus Assets (Appendix 17).
- 19.3 All Senior Officers will implement stock, stores control and costing systems, relevant to their business needs, subject to the approval of the Chief Financial Officer. Services will comply with the Instruction Note Stocks and Stores issued by the Chief Financial Officer.

20. MEMBERS' REMUNERATION AND EXPENSES

Introduction

This section details the Council's requirements for the payment of Members' remuneration and expenses and provides guidance on claims procedures.

- 20.1 Payment to Members will be in accordance with the Scheme adopted by the Council, namely Members' Remuneration and Expenses, [Guidance for Members](#).
- 20.2 Payment of remuneration will be made on a monthly basis by the Chief Financial Officer. Members are not required to submit a claim.
- 20.3 Members are entitled to payment of travel and subsistence expenses relating to approved duties. Members are required to submit claims on official expenses claim forms and provide receipts in support of any expenses claimed. Details of the timetable for submission will be provided by the Chief Financial Officer.
- 20.4 The Chief Financial Officer will maintain records of all remuneration and expenses paid to or on behalf of Members under the Scheme, detailing name, amount and nature of payment. These will be available for inspection by 1 June each year by any Local Government elector of the Council at the office of the Chief Financial Officer and Service Points, free of charge, during normal working hours. These will also be published on the Council's website.

21. ORDERS FOR SERVICES, GOODS AND WORKS

Introduction

This section provides details of who the Council needs to procure goods, services and works.

- 21.1 The governance of procurement is contained within the Contract Standing Orders https://www.highland.gov.uk/staffsite/downloads/file/778/contract_standing_orders and the Procurement Manual <https://highlandcouncil1.sharepoint.com/sites/ProcurementPortal/SitePages/Home.as>

[px?e=1%3A4af71b788a794e49e426d696b9226](https://www.highland.gov.uk/staffsite/info/44/procurement/70/procurement_where_can_i_buy_what_i_need)

21.2 The Council's Contracts Register and Corporate Contracts Directory provide listings of contracts and framework agreements available for use by Services.
[https://www.highland.gov.uk/staffsite/info/44/procurement/70/procurement - where can i buy what i need](https://www.highland.gov.uk/staffsite/info/44/procurement/70/procurement_where_can_i_buy_what_i_need)

[https://www.highland.gov.uk/staffsite/info/44/procurement/70/procurement - where can i buy what i need/2](https://www.highland.gov.uk/staffsite/info/44/procurement/70/procurement_where_can_i_buy_what_i_need/2)

These should be checked for suitability before considering any other options. Senior Officers must ensure that all staff are aware of the available contracts and framework agreements and comply with these arrangements.

21.3 Official order systems must be used for the raising of orders for every purchase of services, goods, or works. These comprise a central electronic purchase to pay system and corporate purchasing cards. In addition, Fuel Cards may be supplied in appropriate circumstances. The only exceptions are with regard to the supply of mains electricity, gas and water. Verbal orders and orders using personal credit cards may not be used under any circumstances. Instructions on how to order can be found via
[https://www.highland.gov.uk/staffsite/info/44/procurement/72/procurement - how to order](https://www.highland.gov.uk/staffsite/info/44/procurement/72/procurement_how_to_order)

21.4 Before placing orders it must be ensured that:

- Expenditure is on items or services which it is within the Council's legal powers to incur;
- Expenditure is within the relevant estimate provision.

21.5 Orders for computer hardware, software and telecommunications must be logged with the ICT Service Desk in order to ensure that these conform with the IS governance process.

22. PAYMENT OF INVOICES

Introduction

This section details the Council's requirements for the payment of invoices. It includes procedures to ensure that the Council only makes payments which are due to be paid and for the correct amount.

Senior Officers will ensure that appropriate and efficient systems operate within their Services for the timely processing of invoices. Performance Indicators published by the Council includes an examination of the performance of the number of invoices paid within 30 calendar days of receipt, as a percentage of all invoices paid which is a nationally benchmarked indicator and contributes to meeting the Accounts Commission Direction on public performance reporting.

Instruction Note: Receipt of Goods and Payment of Creditor Invoices (Appendix 19)

22.1 Apart from petty cash and other payments from imprest accounts, payments from the

Council will be via BACS (Bankers Automated Clearing Service) or Highland Council purchase cards. In exceptional circumstances where neither of these payment methods can be used, payments may also be made by cheque or CHAPS (Clearing House Automated Payment System). Each request for a CHAPS payment will be approved by the appropriate budget holder and the payment from the bank account will be authorised by Council approved bank signatories.

22.2 Senior Officers will arrange timeous processing of invoices for payment and internal recharges after ensuring that:

- Expenditure is on items or services which it is within the Council's legal powers to incur;
- Goods, materials or services to which the invoice relates have been received, and are in accordance with the purchase order;
- Prices, extensions, calculations, trade discounts, other allowances, credits and tax are correct;
- Expenditure is within the relevant estimate provision;
- Appropriate entries have been made in inventories, stores or stock records as required;
- Invoices have been made out by the supplier of the goods, services etc., not an officer of the Council;

Prior to internal recharges being processed there should be agreement to the charge by the relevant parties. Any disagreements will be referred to the Chief Financial Officer.

22.3 No supplies, services or works should be paid for until they have been formally accepted and any required testing carried out. In the event that stage payments are required, formal acceptance of that stage or milestone and any required testing must be completed and documented prior to payment being made.

22.4 Payments will only be made on duplicate or photocopied invoices where the Budget Holder has undertaken sufficient checks to ensure that the original invoice has not been previously processed. If the invoice relates to a purchase order, it should agree to an existing unmatched purchase order. The inability to match a copy invoice should alert the Budget Holder to the possibility that it is a duplicate invoice. If the invoice does not relate to a purchase it should be a unique invoice number to that supplier.

22.5 The Creditors Section will run monthly duplicate payment reports to identify and recover any duplicate payments and notify Senior Officers as appropriate in order that remedial action is taken to prevent further recurrence.

22.6 Where the sum invoiced by a supplier is incorrect, the invoice should be returned to the supplier for alteration. Alternatively, the supplier may issue a credit note which will be processed through the Purchase Ledger module of Integra.

22.7 The format of internal recharges will be approved by the Chief Financial Officer.

22.8 The Chief Financial Officer will annually issue instructions to Senior Officers on the procedure to be followed regarding unpaid invoices, at the end of the Financial Year.

23. PAYROLL, PENSIONS, AND TRAVEL AND SUBSISTENCE

Introduction

This section provides details of the Council's requirements for payroll, pensions, travel and subsistence. Although the Chief Financial Officer is responsible for payment it is essential that Services have systems in place to ensure timeous and accurate information is passed to the Chief Financial Officer.

- 23.1 Employee salaries, wages, pensions, compensation, expenses, subsistence, claims and other emoluments will be paid by the Chief Financial Officer to all employees of the Council and members of certain bodies of the Council's Pension Scheme through the payroll system, or under arrangements approved by the Council.
- 23.2 The Chief Executive will be responsible for informing all other Senior Officers of any changes to Conditions of Service.
- 23.3 The Chief Executive or appropriate Senior Officer will formally notify the Chief Financial Officer without delay of all matters affecting payments of emoluments; including:
- Appointments, resignations, dismissals, suspensions, secondments and transfers;
 - Changes in remuneration, other than normal increments, pay awards and agreements of general application;
 - Absences from duty for sickness or other reasons other than approved annual/flexi leave; and
 - Information required to maintain records for superannuation, income tax and social security purposes.
- 23.4 Senior Officers are responsible for ensuring that appointments of staff within their Service are made in accordance with the staff structures approved by the Corporate Resources Committee and within the agreed budget of the Council. The filling of all vacancies must be subject to approval from the respective Service Management Teams.
- 23.5 Information required for payroll processing will be in a format approved by the Chief Financial Officer and be authorised by Senior Officers or delegated officers.
- 23.6 Senior Officers should ensure that authorisation and internal control procedures applied within the activity of payroll etc. comply with Section 17.2.
- 23.7 The Chief Financial Officer will be responsible for the administration and regulation of employee expenses.
- 23.8 Claims for travel and subsistence allowances expenses will be submitted in a format approved by the Chief Financial Officer by agreed dates.
- 23.9 Approval of any claim by Senior Officers indicates satisfaction as to the accuracy of the claim and that it agrees with all terms of the [Travel and Subsistence Policy and Guidance](#).

- 23.10 Senior Officers will regularly review the arrangements in place within their Service for the certification of any claim to ensure that checks are being performed to the standards detailed in the [Travel and Subsistence Policy and Guidance](#).
- 23.11 Senior Officers will timeously provide the Chief Financial Officer with any details required for the annual return of taxable emoluments.

24. PERFORMANCE INDICATORS

Introduction

This section provides information on statutory performance indicators and their preparation.

The Local Government Act 1992 (as amended by the Local Government Act 2003) places a duty upon authorities to ensure they have arrangements in place for collecting, recording and publishing information required to comply with the annual directions issued by the Accounts Commission. The Council must ensure, as far as possible, that the information published in relation to these requirements is accurate and complete.

24.1 Statutory Performance Indicators

- 24.1.1 Under the Local Government Act 1992 (as amended by the Local Government Act 2003), all local authorities are required to publish specific information on the performance of their services. The information required is detailed in an annual direction to local authorities issued by the Accounts Commission, details of which are available at: [Statutory Performance Indicators](#). These performance indicators are analysed against targets within two key themes:

Statutory Performance Indicator 1: Improving local services and local outcomes: The Council's performance in improving local public services, provided by both the Council and in conjunction with partners and communities including progress against the desired outcomes agreed with partners and communities.

Statutory Performance Indicator 2: Demonstrating Best Value: The Council's assessment of how it is performing against its duty of Best Value, and how it plans to improve against this assessment, audit assessments of its performance against its Best Value duty, and how it has responded to these assessments. In particular, how it (in conjunction with its partners as appropriate) has engaged with and responded to its diverse communities.

The Accounts Commission expects the Council to take cognisance of current statutory guidance on Best Value requirements in relation to public performance reporting, and in particular to ensure there is balance in reporting areas of improvement that have been achieved and not achieved and reporting with as much timeousness and currency as is practical.

24.2 Preparation of Indicators

- 24.2.1 The Chief Executive will ensure that officials at Corporate and service level have

been allocated the responsibility for preparing the indicators and ensuring compliance with statutory requirements. Details of the process that should be followed is prescribed in the Internal SPI Guide which is updated annually. All officers involved in the SPI process must adhere to the Guide's requirements.

24.3 Reporting of Indicators

24.3.1 Executive Chief Officers will report performance during each financial year against respective Statutory Performance Indicators and other relevant performance information to their respective strategic committees on a quarterly basis and provide analyse and improvement actions as part of the Service Planning process at least annually. A clear connection is expected between performance and financial reporting.

24.3.2 An annual report detailing the Council's performance as a whole shall be reported to the Council in September each year by the Chief Executive followed by a report on the Council's SPIs in March each year.

25. PETTY CASH (IMPRESTS)

Introduction

This section details the Council's requirements for the operation of petty cash expenditure. The Highland Council accounts for petty cash by way of an imprest system and provides cash floats in circumstances considered appropriate by the Chief Financial Officer.

Instruction Note: Petty Cash and Cash Floats (Appendix 20)

25.1 Senior Officers are responsible for authorising requests from within their service for petty cash systems. Once approved by Chief Financial Officer, petty cash and cash floats should be maintained in accordance with the Instruction Note Petty Cash and Cash Floats (Appendix 20). This requires that:

- Imprest holders are personally liable for any sums advanced
- Claims should be recorded in an approved format
- Receipts must be provided to evidence all expenditure
- Monies are held securely
- Regular reconciliations are performed
- Annual certificates are provided

26. PROJECT GOVERNANCE, EXTERNAL FUNDING, ARMS LENGTH EXTERNAL ORGANISATIONS AND PARTNERSHIPS

Introduction

This section provides guidance regarding the governance of projects, including those involving Arms Lengths External Organisations and Partnerships.

Instruction Notes: Funding External Bodies (Appendix 21)
Partnership Risks (Appendix 22)

26.1 Project Governance

26.1.1 The Council has adopted a formal options appraisal process to evaluate and

prioritise the projects for inclusion within its capital programme (see section 6.1.3). For other projects, initiatives and areas of significant change (including those involving partners and for joint venture initiatives), the sponsor has to ensure that a business case has been established. This should examine all of the possibilities for meeting the identified requirements. In respect of projects with a value in excess of the OJEU tendering threshold, the advice referred to in Treasury or OGC Guidance, such as that relating to options Appraisals, Joint Ventures, VFM and Project Models, must be used as appropriate. Reference should also be made to the Audit Scotland report, [Options appraisal: are you getting it right?](#) (March 2014) which provides a source of guidance including, good practice checklists.

26.1.2 Projects should only be initiated by officers who have the appropriate qualifications, skills, experience and training. In addition, it must be ensured the projects have relevant professional procurement, technical, financial and legal input/advice.

26.1.3 All reports must receive Strategic Committee approval and identify the proposed project expenditure and the source of funding. If the forecast project cost increases by more than 10% during the project the source of funding must also receive Strategic Committee approval. Reports to committee should ensure that they contain paragraphs referring to the “Resource Implications” and the “Risk Implications”.

26.1.4 All projects must have specific risk registers in order to manage the risks on an ongoing basis with plans to mitigate identified risks.

26.1.5 Formal Gateway Reviews will be undertaken for innovative/irregular projects which will occur at key decision points in the project’s lifecycle. These reviews will be documented, with decisions recorded, and will be undertaken by a team of experienced practitioners, independent of the projects.

26.1.6 As outlined at paragraph 13.9, The relevant Chief Executive Officer shall ensure there is rigorous on-going monitoring of any contract, partnership agreement or ALEO. Regular progress reporting to Strategic Committee accounting for any variances in cost or timescale for delivery to ensure transparency and appropriate performance management and governance is required for arrangements over £4m.

26.2 External Funding

26.2.1 The Council provides significant funding to external bodies, including third sector organisations. Reference should be made to the Instruction Note – Funding External Bodies (Appendix 21) which provides guidance on the accounting and auditing requirements, including the funding levels which apply.

26.3 Arm’s Length External Organisations

26.3.1 Where a project involves the establishment of an arm’s length organisation, it must be ensured that:

- A single sponsoring officer at Senior Officer level is identified. The project sponsor will be responsible for reporting back to the sponsoring Committee/Council at least annually.
- The project sponsor provides the Chief Executive with assurance that all appropriate legal arrangements have been made and full documentary

evidence has been provided.

- The principles and requirements referred to in the [Code of Guidance on Funding External Bodies and Following the Public Pound](#) issued jointly by the Accounts Commission and COSLA will be observed.
- Officers are aware that where they serve in a decision making or advisory capacity on outside bodies, including companies, they owe a duty and responsibility to those bodies which are separate and distinct from their duties owed to the Council.
- The duties of officers, who are part of a company structure and/or who are appointed as a supervisory officer for the Council are documented in order that they are fully aware of their responsibilities and the relevant monitoring procedures.
- Annual assurance is provided by each Executive Chief Officer on their respective Internal Control Statement to confirm that appropriate arrangements are in place to govern Council projects; and projects involving outside bodies, including companies.

26.3.2 A register of Arm's Length Organisations who receive funding from the Council will be maintained by the Chief Financial Officer. This register should record:

- The name of the organisation
- The relationship to the Council
- Members representing the Council
- The Lead Officer representing the Council
- The extent of funding including any in kind assistance
- The nature of shareholding/ ownership
- Name/contact details of Company Secretary

26.4 Partnerships

26.4.1 Partnerships, including community planning partnerships, can play key role in delivering community strategies. In some circumstances, the Council has a leadership role to bring together the contributions of a variety of stakeholders to deliver a shared vision of services based on user needs.

In all instances, each Executive Chief Officer of the lead department for the Council should be able to demonstrate that:

- (i) The requirements of Treasury Guidance: A Guidance Note for Public Sector Bodies forming Joint Venture companies with the Private Sector will be considered;
- (ii) appropriate Committee approval has been obtained;
- (iii) a budget for the activity has been approved
- (iv) there should be a presumption that the Council's Financial Regulations will prevail in all circumstances, unless alternative or additional guidance is considered appropriate. The approval of the Chief Financial Officer will be required to any such departure;
- (v) the roles and responsibilities of each of the partners involved have been agreed and formally accepted before any project commences, and that

individuals representing the partner organisations are aware of their personal responsibilities;

- (vi) documented project management arrangements are in place; (vii)
- (vii) responsibility for budgetary control for any project is vested in one officer;
- (viii) the limits of responsibility for all groups involved in decision- making for any partnership project are clear and agreed. This could include Project Teams, Project Boards, Council Panels and the Council itself;
- (ix) a project exit strategy is in place for limited life projects; and
- (x) arrangements are in place for risk appraisal, monitoring, management and control. The Instruction Note 'Partnership Risks' (Appendix 22) should be observed.

26.4.2 With regard to community planning and resourcing a joint statement of agreement is in place between the Scottish Government and COSLA on the delivery of Single Outcome Agreements (SOAs) agreed with each Community Planning Partnership (CPP). This requires the mobilisation of public sector assets, activities and resources, together with those of the third and private sector and local communities.

27. RECORDS MANAGEMENT

Introduction

The Highland Council has a statutory obligation to make proper arrangements for its records and it also has to ensure that it complies with the Data Protection and Freedom of Information legislation. This section refers to the Council's Records Management process, including the process for the retention, storage and disposal of records.

- 27.1 The Records Management Service provides guidance and support in records management practices to all Council staff to ensure that their records support business activities, meet all legal obligations and ensure records enduring historical value are transferred to the appropriate archive for long- term preservation. Key considerations in deciding how long records and information should be retained include:
- the Data Protection legislation which specifies that personal data should not be retained longer than is needed either in the corporate record or in personal email and personal filing systems. Furthermore, this information should not be shared with any party or individual with whom there is no Data Sharing Agreement in place.
 - Freedom of Information legislation
 - Public Records (Scotland) Act 2011
- 27.2 The Council's Retention Schedules have been designed to reflect the procedures of each Service for the management of physical and electronic records. The Schedule determines the length of time records are required to be kept and

provides an authority against which those records can be disposed of. However, before any record is disposed of, reference must be made to the Records Retention & Disposal Policy and guidance on the Disposal of Records. Before disposing of any record, regardless of format or age, the Council has to ensure there are no ongoing requests for information involving that record and that all its business and legal needs have been met.

28. RISK MANAGEMENT

Introduction

This section details the process for the management of risk within the Council. Risk Management is an essential part of the Council's approach to effective Corporate Governance.

- 28.1 The [Risk Management Strategy](#) sets out an overview of the methodology adopted by the Council to manage risk. It also provides an outline of the roles and responsibilities of Members, Senior Officers and other employees.
- 28.2 Risk Management is an essential part of the Council's approach to effective Corporate Governance. The Council is required by statute to refer to its Risk Management strategy, process and framework, as part of its statement of assurance for internal financial control.
- 28.3 Where Committee reports provide proposals requiring a decision, a paragraph headed "Risk Implications" should be provided in accordance with the guidance [Committee Reports – Guidance for Report Writers](#). This should clearly identify the risk along with a brief description of how it is to be managed, and if the risk is to be adopted to a risk register.
- 28.4 Risks are identified at Corporate, Service, Programme, Project, and Contract levels. The process of risk identification, assessment and analysis results in the coverage of the whole Council. The process prioritises the risks with the highest likelihood and potential impact, resulting in a focus on the key risks and priorities.
- These risks should be recorded in the Council's Performance & Risk Management System (PRMS) which forms the Council's risk register. The risk register should include Corporate and Service level risks.
- 28.5 All risks should be allocated to a responsible officer and should be managed through the development of appropriate actions to mitigate the risk. These actions should have appropriate targets and be reviewed regularly, as detailed in the Council's Risk Management Strategy and associated Risk Management Process Guidance.
- 28.6 A review of the Corporate Risk Register will be provided to every Audit & Scrutiny Committee by the Corporate Audit & Performance Manager.

29. SECURITY, ASSET MANAGEMENT AND PROPERTY

Introduction

This section details the Council's requirements for security, asset management (including data security) and property.

29.1 Security

- 29.1.1 Executive Chief Officers are responsible for proper security at all times of the property, cash, stock, stores, furniture, equipment, keys etc. under their control.
- 29.1.2 The borrowing of moveable Council Assets is forbidden unless prior authority from the Executive Chief Officers is received. Under no circumstances should equipment be borrowed for an employee's personal use.
- 29.1.3 The arrangements for the security of Information Systems/Technology, associated data, software and services are managed according to the Information Security Management System approved by the Information Management Governance Board. Cyber Security guidance is provided to officers managing information, including the Information Security Policy and the Acceptable Use Policy. [The Acceptable Use Policy](#), must be complied with at all times.
- 29.1.4 All officers must comply with the Data Protection legislation with particular reference to: security, registration of data, the purpose for which the data is used, disclosure of data, subject access and staff awareness. [Data Protection guidance](#) is available on the Council's website.
- 29.1.5 The following procedures should form part of the arrangements Senior Officers make for the control and use of keys:
- a register of key holders must be maintained for each location by the respective Responsible Premises Officer
 - keys to doors, safes, filing cabinets and similar security receptacles must be carried on the person of those responsible or held in a secure place if this practice is inconvenient. The loss of any such keys must be reported immediately to the appropriate Senior Officer;
 - on no account should safe keys be left in unattended premises which houses the safe;
- 29.1.6 All employees who may be required to receive or hold cash, valuables or property on behalf of the Council, should receive from the Chief Executive an identity card bearing their photograph. They must produce the card, to any person having reasonable grounds to know the identity of the holder.
- 29.1.7 The Chief Financial Officer will be responsible for ensuring that secure arrangements are in place for the preparation and storing of pre- printed/pre-signed cheques, stock certificates, bonds and other financial documents.
- 29.1.8 Senior Officers will be responsible for the security, custody and control of all documents within their Service. The retention period for all financially related books, forms and records will be determined by the Chief Financial Officer and published in the Document Retention Schedule (see section 27.2).

29.2 Property Asset Management

- 29.2.1 The responsibility for managing property assets is delegated to the Executive Chief

Officer acting as the designated “Corporate Property Officer”.

29.2.2 All of the property assets owned and/or occupied by the Council are corporate assets. Asset Management Strategies, policies and key decisions will be agreed by the Housing and Property Committee.

29.3 Property

29.3.1 The Corporate Property Officer will maintain registers of all non-domestic Heritable Properties owned by the Council and for the Housing Revenue Account. The relevant Executive Chief Officer will maintain a register of Plant and Vehicles.

29.3.2 Where land or buildings are potentially surplus or have been declared as surplus to the requirements of any Committee, the matter shall be referred to the Corporate Property Officer, who will ascertain whether the land or building(s) can be appropriately used by any other part of the organisation. If it is established that the land or building(s) are not required, the Corporate Property Officer shall proceed within the terms of the Council’s disposal policy.

Information relating to the above should be made available to the Chief Financial Officer to support Capital Accounting requirements.

29.3.3 Heritable securities and title deeds of all property which are in the name of the Council, or its nominees, will be held in the custody of the Chief Financial Officer.

30. STEWARDSHIP OF COMMON GOOD FUNDS, TRUSTS, CHARITABLE FUNDS AND FINANCIAL GUARDIANSHIPS

Introduction

This section details the Council’s requirements for the stewardship of the Common Good Funds, Trusts and other Charitable Funds and refers to the requirements regarding Financial Guardianships.

Instruction Note: Common Good Fund Policy (Appendix 23)

30.1 Common Good Funds Trusts and Charitable Funds

30.1.1 The Common Good Fund Policy (Appendix 23) approved by the Council on 7 March 2019 provides instruction for the governance, stewardship and administration of Common Good Funds in the Highland Council area. Common Good policy and guidance can also be found on the Council web site:

https://www.highland.gov.uk/info/677/council_and_government_grants/355/common_good_funds/4

30.1.2 The Chief Financial Officer will appoint an Investment Manager(s) to manage the investments of the Common Good Funds and Associated Funds on a discretionary basis. The Investment Mandate and subsequent amendments will be agreed by the Investments Sub Committee who will also have responsibility for reviewing investment performance and meeting with the Council’s Investment Manager on a

regular basis and as determined by the Sub Committee. Any investments made, or investments sold must be in accordance with the terms of the Investment Mandate(s). Updates on specific fund investments will be reported to the relevant Area Committee.

30.1.3 All securities, which are the property of, or are in the name of the Council will be held either in the custody of the Chief Financial Officer, or, under supervision by the Council's bankers or Investment Manager. Unless there are exceptional circumstances trust funds will be in the name of the Council.

30.1.4 Unless otherwise provided for in a trust deed or Investment Mandate(s), the sale of investments, will be in line with the policy determined by the Investments Sub Committee.

30.1.5 All Officers managing funds will deposit all securities etc. relating to trusts or charitable funds with the Chief Financial Officer unless the deed states otherwise.

30.1.6 The Chief Financial Officer will ensure appropriate custody and control of all charitable funds held by the Council ensuring that all expenditure is in accordance with the conditions of relevant trust deeds.

30.1.7 The disposal of assets which belong to the Common Good Funds and Associated Funds will be the subject of approval by the relevant Area Committee or Council depending upon the value of the assets to be disposed. All Common Good disposals – whether by sale or long lease – will be subject to the provisions contained within the Community Empowerment Act.

30.2 Financial Guardianships

30.2.1 The Chief Financial Officer in consultation with the Chief Social Worker, where appropriate, will ensure that suitable arrangements are made to discharge the responsibilities of Financial Guardianships.

30.2.2 In any circumstances where Council officials are involved in the stewardship of funds relating to others they shall comply with legislation and/or regulations relevant to the particular situation.

30.2.3 A Guardianship Order is a court appointment which authorises a person to act and make decisions on behalf of an adult with incapacity. When we refer to an adult, this is someone who is aged over 16 who is not able to look after their own affairs. The Adults With Incapacity (Scotland) Act 2000 provides a range of options to help those who are or may become incapable of looking after their own financial or welfare affairs.

30.2.4 Anyone with an interest can make an application for a guardianship order. A guardianship order allows someone to make ongoing decisions on behalf of an adult with incapacity, such as paying bills, dealing with bank accounts or making decisions about care and personal welfare matters. Further information can be found at:

- Office of the Public Guardian in Scotland: <https://www.publicguardian-scotland.gov.uk/home>

- What is a Guardianship Order: <https://www.publicguardian-scotland.gov.uk/guardianship-orders>

31. TAX AND VAT MANAGEMENT

Introduction

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

- Allocation of responsibility for taxation to the Chief Financial Officer;
- The appointment of professional advisers; and
- The requirement for Senior Officers to consult the Chief Financial Officer on transactions which have tax implications.

Periodically the Council is inspected by the HM Revenue and Customs. These inspections may result in the imposition of penalties for non-compliance with tax law. Therefore, it is essential that Senior Officers ensure that employees are aware of any relevant taxation matters and comply with the arrangements, if necessary, guidance can be obtained from the Chief Financial Officer.

Guidance on "VAT " has been issued by the Budget Strategy, Policy and Taxation Section within the Finance Team. Further advice can be sought from the VAT team as follows: vatteam@highland.gov.uk.

- 31.1 The Chief Financial Officer is responsible for the taxation procedures of the Council, ensuring where possible, that tax liabilities and obligations are properly reported and accounted for.
- 31.2 In particular the Chief Financial Officer will be responsible for ensuring that transactions comply with relevant statutory requirements and authorities.
- 31.3 In carrying out such responsibilities the Chief Financial Officer will:
 - 31.3.1 Define and allocate duties in relation to taxation and tax management;
 - 31.3.2 Ensure that financial control systems operate effectively, produce the necessary information and minimize the risk of error;
 - 31.3.3 Ensure appropriate guidance is provided to employees involved in processing tax related transactions;
 - 31.3.4 Ensure assistance is provided for any investigations undertaken by any Government Agency, and that justification for assessments made resulting from investigations are properly reviewed;
 - 31.3.5 Implement arrangements to monitor the execution of these responsibilities; and
 - 31.3.6 Report any significant changes to the Council's tax affairs to the Corporate Resources Committee.

- 31.4 The Chief Financial Officer may appoint professional advisers in accordance with the requirements of Contract Standing Orders.
- 31.5 The Chief Financial Officer will be responsible for the dissemination of information on tax matters as appropriate. Senior Officers will be responsible for implementing guidelines introduced by the Chief Financial Officer regarding any particular aspect of tax.
- 31.6 Where transactions of a new or unusual nature are being considered, Senior Officers will consult with the Chief Financial Officer on the tax implications at the first opportunity.

32. TREASURY MANAGEMENT

Introduction

This section explains the Council's policy for Treasury Management. The Council defines its treasury management activities as "the management of the Local Authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

32.1 Policy Statement

32.1.1 The Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation. It also acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management. In particular it fully endorses the following clauses from CIPFA's Treasury Management Code:

- (i) The Council will create and maintain, as the cornerstones for effective treasury management:
- a [Treasury Management Policy Statement \(TMPS\)](#), stating the policies, objectives of its treasury management activities; and
 - suitable Treasury Management Practices (TMP), setting out the manner in which the organisation will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.
- (ii) The content of the policy statement and TMPS will follow the recommendations contained in Sections 6 and 7 of the Code, subject only to amendment where necessary to reflect the particular circumstances of the Council. Such amendments will not result in the Council materially deviating from the Code's key principles.

- (ii) The Council will receive reports on its treasury management policies, practices and activities, including, as a minimum, an annual strategy, a plan for the year in advance, a mid-year report and an annual report after the year end, in the form prescribed in its TMPS.
- (iii) The Council delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to the Corporate Resources Committee and for the execution and administration of treasury management decisions to the Chief Financial Officer who will act in accordance with the Council's policy statement and TMP and CIPFA's Standard of Professional Practice on Treasury Management.
- (iv) This organisation nominates the Corporate Resources Committee and the Audit & Scrutiny Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

32.2 Approved Activities

32.2.1 Treasury Management covers long and short-term borrowing, lending and the arrangement of lease finance. Fuller guidance about approved activities and procedures are available in the TMPS. A summary of the main activities is shown below.

32.2.2 The approved functions of long-term borrowing are:

- the determination and arrangement of the long-term borrowing requirements of the Council
- the prudent management of the debt of the Council, to minimise exposure to risk.
- the prudent management of the cost of debt charges and borrowing, present and future, to optimise the Council's interest rate charges. This shall include options such as debt restructuring and rescheduling.

32.2.3 The approved functions of short-term borrowing are:

- the calculation and arrangement of short-term funding required by the Council.
- the review of terms offered by lenders and identification of the most cost-effective options available to the Council.

32.2.4 The approved functions of lease finance arrangement are:

- the identification of assets suitable for finance and operating leasing and arrangement of appropriate leasing terms.
- the arrangement of extensions to existing lease arrangements where required.

32.2.5 The approved functions of investment of surplus funds are:

- the investment of available surplus funds in approved permitted investments in accordance with the CIPFA Code of Practice and the Council's Treasury Management Policy.

- the regular review of the list of approved investments within the Treasury Management Strategy Statement, and where change is required to obtain scrutiny from the Corporate Resources Committee and approval by the Council.

32.3 Use of Treasury and Investment Advisers

32.3.1 The Chief Financial Officer may appoint Advisers in accordance with the requirements of Contract Standing Orders

32.3.2 The Council will use appropriate creditworthiness services to determine creditworthy counterparties.

32.3.3 All credit ratings will be monitored weekly.

- If a counterparty/ investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately.
- In addition to the use of credit ratings, the Council will be advised of information in movements in Credit default Swap against the iTraxx benchmark and their market data on a weekly basis. Extreme market movements may result in downgrade of an institution or removal from the Council's lending list.

32.3.4 In addition, the Council will also use market data and market information, information on government support for banks and the credit ratings of that government support.

32.4 Administrative Arrangements and Delegated Powers

32.4.1 All Council monies shall be aggregated for treasury management purposes and will be under the control of the Chief Financial Officer.

32.4.2 All executive decisions on borrowing, investment and financing shall be delegated to the Chief Financial Officer or other designated officer and shall be undertaken in accordance with the CIPFA Code of Practices and CIPFA's Statement on Recommended Practices (SORP) on Treasury Management.

32.4.3 All borrowings on behalf of the Council shall be held in the name of the Council and secured on the taxes and revenues of the Council unless they relate to trusts under deeds of trust or other documents.

32.4.4 The Chief Financial Officer, or other designated officers, are all authorised to sign loan, lease and investment documents unless:

- statute or other legal requirements require other signatures; or
- alternative arrangements have been approved by the Corporate Resources Committee.

32.4.5 The Chief Financial Officer shall be the Registrar of stocks, bonds and mortgages held by the Council and shall maintain records of all borrowing.

32.5 Reporting Requirements and Annual Report

The Chief Financial Officer shall submit reports on the Council's treasury management activities to every meeting of the Corporate Resources Committee. This must include an annual strategy plan in advance of the year, a mid-year report and an annual report after the year end in the form prescribed in its Treasury Management Practices for scrutiny and subsequent approval by the Council.

33. VOLUNTARY FUNDS

Introduction

This section explains the Council policy for the operation of voluntary funds. A voluntary fund is defined as any fund (other than an official Council fund) that is managed wholly or in part by a Council employee. School Funds and funds relative to the support of Health and Social Care establishments are therefore included.

Voluntary funds can provide substantial levels of finance, and although they do not constitute Council funds, they are intended to support public services. The standards outlined elsewhere in these Regulations are therefore equally applicable to protect both the source of finance and the employees concerned. Parents and other benefactors are also entitled to the same standard of stewardship for voluntary funds as those applicable to public funds.

Instruction on School Funds (Appendix 24) has been issued by the Chief Education Officer and should be read in conjunction with these Regulations.

- 33.1 The financial control of voluntary funds shall be of the same standard required of public funds.
- 33.2 Voluntary funds will be administered separately from Council funds. Bank accounts may only be opened or operated in accordance with the Council's Banking Arrangements (see section 10). Such Bank accounts shall bear the name of Highland Council along with the establishment to which it relates and its purpose.
- 33.3 Council employees should not personally involve themselves in the financial administration or activity, of any group or organisation to which they have, as an officer of the Council, been appointed as an adviser to the group or organisation.
- 33.4 The Chief Financial Officer may examine the accounts and records of all voluntary funds and ask for such records, explanations and information as may be required.
- 33.5 Where voluntary funds are administered outwith the accounting system of the Council then the officer responsible should ensure that proper records are maintained and that annual audited accounts are prepared, if applicable.
- 33.6 All voluntary fund transactions shall require the approval of two authorised signatories.