Glasgow City Council



Financial Regulations, Management & Control – A Code of Practice

May 2022

Financial Regulations, Management & Control – A Code of Practice

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Part One

FINANCIAL REGULATIONS

FINANCIAL REGULATIONS

1. INTRODUCTION

Financial Regulations are an integral part of the stewardship of Council Funds. Adhering to the Regulations ensures that all financial transactions of the Council are conducted in a manner which demonstrates openness, integrity and transparency. They form a significant part of the Corporate Governance of the Council.

Failure to comply with the requirements contained within this Code and the associated guidance and procedures will result in an investigation under the Council's Conditions of Services Disciplinary and Appeals Procedure.

2. FORMAT

These regulations reflect general principles with further detail contained within procedure manuals, codes of practice and other documents.

These regulations refer to "Senior Executive Officers", this includes the Chief Executive, all Executive Directors and the Chief Officer of the Glasgow Integrated Joint Board.

3. RESPONSIBILITIES & OBSERVANCE OF FINANCIAL REGULATIONS

RESPONSIBILITIES

All officers employed by the Council, or by a company/trust etc. associated with the Council, whether or not their financial statements are consolidated in the Group Accounts of Glasgow City Council, must ensure that all financial transactions are Intra Vires.

3.1 Responsibility of the Executive Director of Finance

It shall be the responsibility of the Executive Director of Finance, or designated officer, to ensure that this Control Code of Practice is kept up to date, revised where appropriate, and monitored for its effectiveness. Changes in Statute, professional guidance or Council policy that have a financial impact shall be reflected in the Code. The Executive Director of Finance shall determine the detailed form of capital and revenue estimates. It shall be the responsibility of the Executive Director of Finance to keep Elected Members informed at all times on financial matters.

3.2 Responsibility of Senior Executive Officers

It shall be the duty of the Senior Executive Officers to ensure that this Code of Practice and the Local Code of Governance and all associated procedure manuals and documents as listed in Section 4 are made known to appropriate staff members and shall ensure full compliance with them. Senior Executive Officers shall prepare revenue and capital estimates in respect of their Service after consultation with the Executive Director of Finance and ensure that the Executive Director of Finance is informed of financial matters that will have a significant impact on the Service, seeking financial advice where necessary.

Senior Executive Officers shall ensure that arrangements are in place to properly establish the correct liability, process and accounting for VAT. For major works, service reform and other changes in service delivery, full information must be provided to the Council's VAT Officer at an early stage of the planning. In response the VAT Officer will provide appropriate VAT advice. This will include identification of any potential risks, restrictions and/or liability to charge VAT on any identified income or funding. Appropriate mitigating actions will be recommended where required.

Any VAT debt, including associated interest and/or penalty, arising from failure to adhere to this may be recovered against the budget of the particular Service.

Similarly, any associated interest and/or penalty arising from improper operation of a tax in general may be recovered against the budget of the particular Service.

Senior Executive Officers are also responsible for the submission of an Annual Statement of Internal Control and completion of an Annual Governance Questionnaire.

3.3 Responsibility of Managing Directors and Chief Executives of Associated or Subsidiary Companies, Trusts etc.

It shall be the responsibility of all Managing Directors and Chief Executives of associated or subsidiary companies, trusts etc. whose accounts form part of the Council's Group Accounts to adhere to the principles of good financial management as contained in this Code of Practice and the procedures manuals and documents referred to in section 4. The accounting regulations within this Code should not be viewed as prescriptive for the Council's Arms Length Organisations (ALEOs).

It is recognised that related companies and charitable trusts will be required to operate to different regulatory standards of financial accounting and reporting. In all other matters Managing Directors and Chief Executives will be expected to follow the principles laid down in these codes.

Managing Directors and Chief Executives shall ensure that their organisation has sound Corporate Governance arrangements in place. Each will provide a return to the Council's Head of Audit and Inspection each year setting out adherence to these requirements.

Managing Directors and Chief Executives are also responsible for the submission of an Annual Statement of Internal Control and completion of an Annual Governance Questionnaire.

3.4 Responsibility of the Head of Audit and Inspection

The Executive Director of Finance has ultimate responsibility for the provision of the Internal Audit service to the Council. The management of Internal Audit is under the control of the Head of Audit and Inspection. The Head of Audit and Inspection also has a responsibility to ensure that all audit and inspectorate functions within the Council operate in accordance with best practice.

It shall be the responsibility of the Head of Audit and Inspection to provide the Chief Executive and Elected Members with an annual assurance statement, including annual audit opinion and co-ordinate a group of officers to compile the annual governance statement on behalf of the Chief Executive and Council Leader. Senior Executive Officers and Managing Directors / Chief Executives of associated or subsidiary companies and trusts will provide such assistance as the Head of Audit and Inspection may require to provide assurance to the Chief Executive, Executive Director of Finance and Elected Members.

The purpose, authority and principal responsibilities of the council's Internal Audit Section are laid out in the Audit Charter.

The Head of Audit and Inspection or duly authorised representative has unrestricted access to all Council records whether manual or computerised, cash, stores and other property, can obtain explanations, may enter Council property or land and has unrestricted access to all locations and officials, where necessary on demand and without prior notice.

The Head of Audit and Inspection may from time to time engage specialist auditors from outwith the Council to carry out audit work. These auditors are the Head of Audit and Inspection's representatives and will be afforded the same rights and privileges as a member of Internal Audit.

Whenever any matter arises which involves, or is thought to involve, irregularities concerning funds, stores or other property of the Council or associated or subsidiary companies and trusts or any suspected irregularity in the exercise of the functions of the authority, the Senior Executive Officer or Managing Director/Chief Executive concerned shall notify in writing to the Head of Audit and Inspection who shall take whatever steps are necessary by way of investigation and report.

The Head of Audit and Inspection shall deal with such irregularities in accordance with the Council's Whistleblowing and Response Policy and following consultation with the Chief Executive or Director of Legal and Administration shall, where appropriate, report the matter to the Police.

3.5 Elected Members

A Committee of the Council shall be charged with overseeing the work of the Audit function. The terms of reference for the Committee will be published in accordance with the standing orders of the Council. A full copy of the committee's terms of reference can be found on the Council's Internet site.

3.6 External Audit

The Council's External Auditor shall have the right to demand access to all records (electronic or manual), documents and correspondence relating to any financial or other transactions of the Council and receive such explanations as are necessary concerning any matter under examination. Officers of the Council, officers in associated or subsidiary companies, trusts etc. and officials of grant aided bodies will ensure that these rights are given to External Auditors.

3.7 Observance

Any breach or non-compliance with these Regulations must on discovery be reported immediately to the Executive Director of Finance who may consult the Chief Executive and/or the Senior Executive Officer considered appropriate in order to determine the proper action to be taken.

4. LOCAL CODE OF GOVERNANCE

There are some areas that require more detailed guidance or procedures. Although the specific detail is not included within these Financial Regulations, the expectation is that officers and Elected Members adhere to the requirements of all these additional documents.

To facilitate this the Council has developed a Local Code of Governance which is effectively a collection of these policies, procedures and guidance to assist Elected Members and Council staff with the development and delivery of services.

The following guidance/procedures are included within the Local Code of Governance:

4.1 Standing Orders Relating to Contracts

Apply to all contracts made by or on behalf of the Council for the execution of works, for the supply of goods and materials, or for the provision of services. The Standing Orders must be read in conjunction with the Procurement Manual.

4.2 Procurement Manual

Details the roles and responsibilities of the Corporate Procurement Unit and other staff involved in procurement activity.

4.3 Whistleblowing and Response Policy

Details the Council’s policy with regard to whistleblowing and suspected fraud and the audit response to reported cases.

4.4 Counter Fraud and Corruption Strategy

Details the approach to minismise the risk of fraud and corruption within the Council.

4.5 Risk Management Framework

Details the procedures to be adopted to ensure risk is appropriately managed.

4.6 Scheme of Delegated Functions

Details the functions delegated to Committees, Senior Executive Officers and other officers within the Council.

4.7 Grant Procedural documentation

Details the arrangements for the administration of grants.

4.8 Financial Controls Framework

Details the seven financial Key Controls that represent the building blocks of an effective Financial Controls Framework to support staff across the council and of Associated or Subsidiary Companies, Trusts etc.

4.9 Treasury Management Policy and Strategy

Details the Council's arrangements in relation to treasury.

4.10 Debt Write Off Procedures

Details the arrangements for the write off of debt.

4.11 Travel Procedures including overseas travel arrangements

Details the process for arranging and paying for both Elected Member and officer travel and accommodation whilst on Council business.

4.12 Imprest Accounts Guidance

Details the arrangements for the management and control of imprests.

4.13 Elected Members Salaries and Expenses procedures

Details the arrangements for the payment of Elected Member salaries and expenses – as per legislation.

4.14 Money Laundering Policy and Guidance documentation

Details the legal and regulatory requirements relating to the handling of money which could have come from the proceeds of crime.

4.15 Bribery Act 2010 Policy Statement

Details the Council's responsibilities under the Bribery Act 2010.

4.16 Gifts and Hospitality Policy

Details the arrangements for dealing with offers of gifts and/or hospitality to officers and Elected Members.

4.17 Declarations of Interest

Details the requirement for employees to declare any interests of a personal nature in an external organisation.

5. GOOD PRACTICE NOT COVERED IN INDIVIDUAL CODES

The following Good Practice Statements must be observed by all officers. Failure to do so places not only the Council's assets at risk but could place officers in an invidious position in any investigation.

5.1 Internal Check

The following principles shall be observed in the allocation of duties: -

(i) Procedures to be followed regarding the calculation, checking and recording of sums due by or to the Council shall be arranged in such a way whereby the work of one person is proven independently or is complementary to the work of another and these operations shall be separated from the duty of collecting or disbursing such sums.

(ii) Officers charged with the duty of examining and checking the accounts of cash transactions shall not themselves be engaged in any of these transactions.

5.2 Cash, Banking, and Security

5.2.1 Treatment of Monies Collected

- All monies received shall be paid into the Council's bank accounts daily or remitted to the Executive Director of Finance without delay at such intervals as may be approved by the Executive Director of Finance.
- All money received by an officer on behalf of the Council shall without delay be remitted to the Executive Director of Finance, or as otherwise directed, to the Council's bank accounts.
- No deduction may be made from such money save to the extent that the Executive Director of Finance may specifically authorise.
- Each officer who banks money shall enter on the paying-in slip a reference to the source of the income.

- Maximum limits for cash holdings shall be agreed with the Executive Director of Finance and shall not be exceeded without express permission.

5.2.2 Forms, Books and Tickets

All receipt forms, books, tickets and other such items shall be ordered and supplied under arrangements approved by the Executive Director of Finance.

5.2.3 Personal Cheques

Personal cheques from Council staff shall not be cashed out of monies held on behalf of the Council.

5.2.4 Transfers of Money

Every transfer of Council money (cash or cheques) from one member of staff to another will be evidenced in the records of the services concerned by the signature of the receiving officer.

Electronic transfers will be undertaken by authorised staff as agreed by the Executive Director of Finance.

5.2.5 Arrangements with Bankers

All arrangements with the Council's Bankers concerning the Council's bank accounts and the issue of cheques, BACS and other forms of payment shall be made by the Executive Director of Finance.

The Executive Director of Finance shall make all arrangements with the Council's Bankers concerning the use of purchase cards and credit cards.

5.2.6 Opening and Closing of Bank Accounts

Council bank accounts shall only be opened or closed with the approval of the Executive Director of Finance or nominated officer (in line with the Finance Scheme of Delegation).

5.2.7 Cheque Control

(i) All cheques and other documents, but excluding cheques drawn on authorised Imprest accounts, shall be ordered only on the authority of the Executive Director of Finance who shall make proper arrangements for their safe custody.

(ii) Cheques on the Council's main bank accounts shall bear the facsimile signature of the Executive Director of Finance and/or other officer authorised by the Council.

5.2.8 Safe Keys

Keys to safes and similar security boxes are to be carried on the person of those responsible at all times. Keys should be locked overnight in a secure key box or taken home by the responsible person. The loss of any such keys must

be reported immediately to the Head of Audit and Inspection. A register of all such key holders shall be maintained by each Senior Executive Officers.

5.2.9 Credit Cards and Purchase Cards

Credit and Purchase cards allow goods and services to be purchased and charges made electronically. All Credit and Purchase cards issued to officers remain the property of the Council and must only be used by the named card holder for business purposes, where there is no other appropriate method of making payment. No personal purchases or cash withdrawals are permitted.

All purchases made with a Council credit or purchase card must be supported by a VAT receipt where relevant. If there is any doubt about whether a VAT receipt is required, clarification should be sought from the Executive Compliance Unit within Internal Audit.

5.3 Employee Remuneration

5.3.1 Responsibility for Payment Arrangements

The payment of all salaries, wages, compensation and other emoluments to all employees, former employees, Elected Members or beneficiaries shall be made by the Executive Director of Finance with the assistance of the Head of Customer and Business Services under arrangements made or approved by the Executive Director of Finance.

Each Senior Executive Officer shall provide such information as directed by the Executive Director of Finance and/or the Head of Customer and Business Services as is necessary to ensure remuneration is made accurately and timeously. Senior Executive Officers shall also maintain records of service for superannuation, income tax, national insurance and social security purposes as directed.

5.3.2 Form and Certification of Records

All timesheets or other pay documents shall be in a form prescribed or approved by the Executive Director of Finance and/or the Head of Customer and Business Services and shall be certified by or on behalf of the Senior Executive Officer. Each Senior Executive Officer shall maintain a list of officers to authorise time records and other records.

All requests and/or information relating to pay, whether in paper or electronic format, shall be authorised. A list of officers appointed by Senior Executive Officers to authorise payroll information shall be prepared and submitted to the Head of Customer and Business Services.

Changes to these lists shall be notified timeously to the Executive Director of Finance and/or the Head of Customer and Business Services.

5.3.3 Recording and Provision of Information to Statutory Bodies

Each Senior Executive Officer shall ensure that appropriate systems are in place to record and report statutory information by due dates.

5.3.4 Overpayments of Salaries and Wages

The Head of Customer and Business Services shall ensure that all reasonable steps are taken to recover any identified overpayments.

Senior Executive Officers are responsible for ensuring that Customer and Business Services are promptly notified of any leavers.

5.4 Officers' Travelling Expenses and Allowances

5.4.1 Arrangements for Claims

The Executive Director of Finance shall be responsible for making arrangements for the administration and regulation of payment of claims for expenses to employees of the Council and other approved bodies. Claims for car mileage will only be paid where the employee has evidenced the following:

A valid driving licence
A current insurance policy which covers the user for business use, and
A valid M.O.T. certificate for the vehicle used, if applicable.

5.4.2 Claim Forms

All claims for payment of car allowances, subsistence allowances, travelling, telephone expenses and incidental expenditure shall be made via the My Portal system. For non My Portal users any such claims shall be made, duly certified on the form prescribed by the Executive Director of Finance.

Claims for mileage allowances must be supported by a VAT fuel receipt which should be dated to cover the claim period.

No officer authorised to certify such claims shall certify their own personal claims.

5.4.3 Certification of Claims

Certification shall be taken to mean that the certifying officer is satisfied that the journeys were authorised, the expenditure properly and necessarily incurred and evidenced and that the allowances are properly payable by the Council. All mileage claims shall be accompanied by a valid VAT receipt.

5.4.4 Time Limits

Officers' claims submitted more than 3 months after the expenses were incurred will be paid only in exceptional circumstances, as determined by the Executive Director of Finance.

5.5 Stocks and Stores

5.5.1 Care and Custody of Stock

The care, custody and level of stores and equipment in any service shall be the responsibility of the appropriate Senior Executive Officer who will ensure that: -

(i) stock is held securely.
(ii) stocktaking is carried out periodically by persons other than storekeepers as agreed by the Senior Executive Officer.
(iii) there is an audit trail for all obsolete or excess stock or scrap materials that are identified and these are disposed of in accordance with the requirements of the Standing Orders Relating to Contracts.

5.5.2 Reporting of Write-Offs or Surpluses

Senior Executive Officers shall report annually to the Executive Director of Finance the total values of write-offs and surpluses of stock and the net effect of these adjustments on the book value of consumable stores under his or her control and a brief explanation of the reasons for these differences.

5.5.3 Levels of Stock

Stocks shall not be in excess of normal requirements except in special circumstances.

5.6 Security of Assets

5.6.1 Responsibility for Security

Each Senior Executive Officer shall be responsible for maintaining proper security, custody and control at all times of all fixed and movable assets under their control. The Executive Director of Finance shall be consulted by the Senior Executive Officer as appropriate in any case where security is thought to be defective or where it is considered that special security arrangements may be needed.

5.6.2 Theft or Loss

Each Senior Executive Officer is responsible for ensuring that the Head of Audit and Inspection is immediately informed of any theft or loss of an asset (including cash).

All losses of documented information or devices holding information such as laptops, mobile phones or devices and memory sticks must be reported to the Head of Audit & Inspection and the Head of Information.

5.6.3 Inventories

Each Senior Executive Officer shall maintain on a continuous basis an inventory of equipment, furniture, information technology hardware and software, etc. The Council's IT provider has the responsibility for the maintenance of information technology (hardware and software) but Senior

Executive Officers should still maintain their own inventory of equipment, furniture, information technology hardware and software, etc. in operational use.

5.6.4 Use of Equipment

The Council's property shall not be removed other than in the course of the Council's normal business or used other than for the Council's purposes without the specific approval of the Senior Executive Officer of the Service concerned, or an officer authorised by the Executive Director.

5.7 Leasing

5.7.1 No leasing of equipment or capital assets shall be undertaken on behalf of the Council without the prior approval of the Executive Director of Finance.

5.7.2 Leased equipment is the property of the lessor and cannot be sold, assigned or otherwise disposed of by Services.

5.8 Pension Fund

5.8.1 The Executive Director of Finance shall be responsible for the financial affairs of the Pension Fund.

5.9 Insurance

5.9.1 Responsibility for Insurance

The Executive Director of Finance shall effect all insurance cover and negotiate all claims with insurers in consultation with other officers where necessary. Delegated authority has been granted to the Insurance & Claims section of Financial Services to negotiate and settle liability claims, after consultation with the Executive Director of Finance.

5.9.2 Notification of Risks

Senior Executive Officers shall give prompt notification to the Executive Director of Finance of all new or increased risks, properties, vehicles, stocks and stores, and any new/changes to services provided which require to be insured and of any alteration affecting existing insurances.

5.9.3 Notification of Claims

Senior Executive Officers shall notify the Head of Audit and Inspection immediately in writing of any loss, or any event likely to lead to a claim and shall inform the Police where appropriate. All liability claims made against the Council shall be referred to the Claims team of the Insurance & Claims Section in the first instance.

The Head of Audit and Inspection will notify the Insurance and Claims section of Finance of any investigations which may be of interest to the insurers.

5.9.4 Fidelity Guarantee Insurance

All appropriate employees of the Council and associated or subsidiary companies, trusts etc. shall be covered by fidelity guarantee insurance.

5.9.5 Review of Insurance Cover

The Executive Director of Finance shall annually, or at such other period as may be considered necessary, review all insurances in consultation with other Senior Executive Officers.

5.9.6 Indemnities

Each Senior Executive Officer shall consult the Executive Director of Finance who may consult the Chief Executive as necessary respecting the terms of any indemnity that the Council is requested to give.

5.10 Deposit of Trust Securities

All officers acting as trustees by virtue of their official position shall deposit all securities, bank books and documents and articles of value relating to any trust with the Executive Director of Finance unless the relevant trust deed provides otherwise.

5.11 Control of Charitable Funds

The Executive Director of Finance shall ensure

1) the proper and safe custody and control of all charitable funds held by the Council,
2) that all expenditure is in accordance with the conditions of the fund, and
3) records are held in accordance with regulations laid down by the Office of the Scottish Charity Regulator.

5.12 Variation and Revocation

These Regulations may be varied or revoked by the Council and any motion to vary or revoke them shall, when proposed and seconded, stand adjourned without discussion to the next Ordinary Meeting of the Council.

Part Two

FINANCIAL MANAGEMENT & CONTROL

FINANCIAL MANAGEMENT & CONTROL

6. ROLES AND RESPONSIBILITIES

6.1 Introduction

6.1.1 Glasgow City Council is committed to achieving the highest standards of service delivery and attaches a very high priority to exercising strong control over the management of its financial resources. These objectives are facilitated by the provision of high quality financial management and control, to meet both statutory requirements and the needs of clients/customers in the most efficient and effective manner.

6.1.2 The financial management and control function is delivered by Corporate Finance within Financial Services. Corporate Finance provide both corporate and service accounting to Members and Committees, service directorates and front line service budget holders.

6.1.3 The Code of Practice clearly defines the respective roles and responsibilities related to the financial management and control of the Council's financial resources. Implementation of the recommended procedures will improve the effectiveness of financial management and control and ensure the continued development of best practice.

6.2 Elected Members

6.2.1 As Council and Committee Members, Elected Members have a personal, individual and collective responsibility for the Council's organisation and activities. Elected Members are responsible for ensuring that adequate management arrangements are in place, developing and taking decisions on the use of the Council's physical, financial and human resources, and to concern themselves with the performance, development, continuity and overall well-being of the organisation *(extract from the Code of Conduct for Councillors).*

6.2.2 To enable Elected Members to discharge their responsibilities in this respect, officers must present to Elected Members appropriate information on the Council's performance both in operational and financial terms to allow them to ask relevant questions. Elected Members will also expect to be advised on all legal matters pertaining to the operation of the Council.

6.3 Chief Executive

6.3.1 The Chief Executive has a responsibility, through the Director of Legal and Administration, to ensure that standing orders and this Code of Practice are applied across the Council, and the appropriate Committee structures are in place. It is the responsibility of the Director of Legal and Administration to ensure that the relevant Committees operate to the agreed schedule.

6.3.2 The Chief Executive, as Head of Paid Service, has an authority over all officers and has responsibility for ensuring that the Council maintains an efficient use of the resources at its disposal. However, the Chief Executive relies on senior officers of the Council to provide timely, meaningful and accurate information pertaining to the operation of the service. Service Executive Directors/ Chief Officer shall therefore provide the Chief Executive with appropriate information as required.

6.3.3 The Chief Executive does not have operational responsibility for Services, which is delegated to Service Executive Directors. Similarly, the Chief Executive has delegated, to the Executive Director of Finance, the responsibility for establishing the appropriate financial reporting framework.

6.3.4 Consequently the Senior Executive Officers shall formally report any major issues identified in a Service to the Executive Director of Finance and to the Chief Executive who can instruct appropriate action and report as appropriate.

6.3.5 On a periodic basis or as otherwise instructed by the Executive Director of Finance a summary of the financial position of each Service shall also be reported to the Chief Executive. In pursuance of this the Council's periodic summary revenue monitoring statement and quarterly summary investment programme monitoring statement shall be included on the agenda of the Corporate Management Team.

6.4 Executive Director of Finance

6.4.1 The Chief Financial Officer is a statutory appointment under Section 95 of the Local Government (Scotland) Act 1973. This states that every local authority shall make arrangements for the proper administration of its financial affairs and shall ensure that one of its officers has responsibility for the administration of these affairs. The primary legislation is supplemented by Scottish Government Regulations. In Glasgow City Council, the Executive Director of Finance is the responsible officer.

6.4.2 Further, the Chartered Institute of Public Finance and Accountancy (CIPFA) describes in detail the role of the Director of Finance within local government.

6.4.3 CIPFA specifically outlines five key roles for the Director of Finance as:

- maintaining strong financial management underpinned by effective financial controls;
- supporting and advising democratically elected representatives;
- contributing to the corporate management and leadership;
- supporting and advising officers in their operational roles;
- leading and managing an effective and responsive financial service.

6.4.4 This Code of Practice delegates much of the day to day financial administration to staff within Financial Services, and to Senior Executive Officers, the extent of which shall be outlined within a framework of job descriptions.

Financial Management

6.4.5 As head of strategic and operational financial management and administration, it is the responsibility of the Executive Director of Finance to:

- ensure that a proper and prudential financial framework exists within the Council in terms of relevant legislation and codes of practice;
- secure effective systems of financial administration;
- ensure that financial management arrangements are in line with strategic policies and objectives and the Council's overall management arrangements.

6.4.6 Specifically, the Executive Director of Finance will:

- advise on effective systems of internal control such as financial regulations;
- secure effective systems of internal financial control to ensure that income collected and payments made are accurate, complete and timely;
- advise on anti-fraud and anti-corruption measures through an effective internal audit function;
- ensure that all staff with financial management responsibilities are made aware of the existence and content of this Code of Practice.

Supporting the Democratic Process

6.4.7 In supporting and advising the democratic process, the Executive Director of Finance is expected to:

- advise on the respective roles of Elected Members and officers on financial management;
- advise Elected Members on an overall financial strategy which serves policy and service objectives;
- provide Elected Members with clear, accurate and impartial advice when considering service plans and budgets;
- provide timely, accurate and impartial advice on reported financial performance, including reporting any concerns and/or disagreements with Senior Executive Officers on the stated financial position and the reliability of financial systems;

- ensure that Elected Members have adequate access to financial skills and are provided with an appropriate level of financial training on an ongoing basis.

Contributing to Corporate Management and Leadership

6.4.8 The Executive Director of Finance has an essential part to play in the corporate management of the authority by;

- contributing to the effective leadership of the authority;
- contributing to the management of the authority;
- ensuring that the authority's financial resources are well managed;
- contributing to cross-authority issues and to the development of the authority.

Supporting and Advising Operational Officers

6.4.9 In supporting and advising operational officers, the Executive Director of Finance shall:

- ensure that financial strategy and arrangements serve policy and service objectives, advising Services on all strategic and operational financial matters and on the availability of resources;
- advise officers on performance and standards to be adhered to in relation to financial matters;
- delegate responsibility for financial management and control to Senior Executive Officers, ensuring the development and maintenance of appropriate management accounting systems, functions and controls and that these are compatible with the corporate financial reporting systems;
- ensure that officers' roles and responsibilities are clear and understood and that budget managers have access to adequate financial skills;
- provide timely, accurate and impartial advice to the Chief Executive on any concerns or disagreements with Senior Executive Officers on the reported financial position or reliability of financial systems.

Leading and Managing an Effective and Responsive Financial Service.

6.4.10 In leading and managing the authority's finance function, the Executive Director of Finance will;

- secure high standards of performance and service to the public;
- demonstrate accountability to the public by providing robust financial and performance information;

- establish a good, professional working relationship with external auditors and other statutory agencies;

- act as head of profession for all finance staff in the authority.

6.5 Senior Executive Officers

6.5.1 Within the overall framework of the financial management and administration arrangements, it is the responsibility of the Senior Executive Officers to:

- ensure adherence to this Code of Practice, Standing Orders, and any other legislative or Council requirements;

- manage with the assistance of their leadership and management teams the expenditure and income of the Service and ensure its control within approved budgets;

- prepare draft budget and service plan submissions, in conjunction with the Executive Director of Finance and Chief Executive;

- provide data necessary to enable the completion of budgets, monitoring reports, annual reports and all Government or other returns, in conjunction with the Executive Director of Finance;

- formally report any major financial issues identified within the Service to the Executive Director of Finance, and if appropriate the Chief Executive, who can instruct appropriate action and report if required.

6.5.2 In practice, duties will be delegated to operational managers within the Service, the extent of which shall be covered by a framework of job descriptions clearly defining individual responsibilities.

6.6 Council Finance Officers

6.6.1The roles and responsibilities of Council finance officers are as follows:

6.6.1.1Council Finance Officers - Roles and Responsibilities

Council finance officers include any officer whose core or operational role involve the management, control or reporting of the council's financial resources.

It is the responsibility of Council finance officers to:

- assist the Executive Director of Finance in identifying and formulating options and identifying resources which will contribute to meeting the Council's strategic objectives, including budget and service plans;

- provide impartial advice and guidance to Elected Members and Committees on all financial matters pertaining to the Council and its services;

- service the Council, Committees and Working Groups on all financial matters;
- provide advice, guidance and assistance to services and officers on all financial matters;
- undertake corporate accounting and co-ordinate and consolidate the Council's financial management requirements;
- develop integrated service plans and budgets;
- review all services budgets, co-ordinate the budget process, and consolidate final budget proposal;
- control budget virement;
- compile service and corporate budget monitoring reports and submit them to the appropriate Committees;
- prepare, direct, and consolidate statutory final accounting and produce the Annual Accounts
- provide corporate financial services, e.g. capital accounting, operational leasing, option appraisal;
- advise on, implement, and maintain the financial management and accounting frameworks and systems in terms of relevant legislation, accounting codes of practice, standardised reporting etc.;
- undertake research and development on all finance related matters, and participate in and provide advice, guidance and assistance on Best Value and the process of continuous improvement across the Council;
- develop and introduce new techniques, processes and systems, where appropriate or required;
- extend corporate financial management systems across the Council with the objective of meeting Corporate and Service requirements and ensuring all financial developments are tested for integrity prior to implementation;
- account for corporate funds and reserves;
- provide financial advice and services to other external bodies where appropriate;
- ensure the Council's VAT Officer is consulted on all appropriate VAT matters and shall immediately notify the VAT Team of all errors that may have a VAT element for due consideration of timely disclosure and/or VAT adjustment prior to the submission of VAT returns thus avoiding or reducing interest/penalty.
- maintain financial records in accordance with legislation, accounting standards and accounting codes of practice, under the direction of the Executive Director of Finance;

- ensure that there is effective financial control of the Council's expenditure and income;

  (i) monitor performance against budget and provide regular budgetary control statements for operational units and managers;
  (ii) prepare monitoring reports and explanations of variances for submission to Committees within the reporting framework and style laid down by the Executive Director of Finance,
  (iii) provide explanations of variances to senior management, the Executive Director of Finance and Committees;
  (iv) Prepare and provide monitoring reports and explanation of variances in relation to the investment programme within the reporting framework and style laid down by the Executive Director of Finance.

6.6.2 In terms of monitoring expenditure and income at Committee level, the role of Council finance officers is to prepare all necessary statements. The final data for submission to Committee is the joint responsibility of the Executive Director of Finance and the Senior Executive Officer.

These arrangements require the retention of expertise on individual services within Financial Services.

Line Responsibilities/Accountabilities

6.6.3 The Executive Director of Finance has overall responsibility for the management and administration of the Council's financial affairs and consequently for all staff engaged in delivering the service. All Council finance staff are responsible to the Executive Director of Finance for maintaining professional accounting standards and the highest standards of conduct and integrity.

All staff engaged in financial management within Services have a responsibility, not only to the Executive Director of Finance, but also to their Senior Executive Officer. Council finance staff have a responsibility to Senior Executive Officers for the provision of impartial advice and guidance on all financial matters, including contributing to and assisting in Best Value, option appraisals and the process of continuous improvement across the Council.

6.6.4 The Executive Director of Finance has the power to draw to the attention of a Senior Executive Officers any circumstances where he/she considers that a member of staff engaged in financial management has not met the required standards. The Executive Director of Finance is also empowered to recommend how the matter shall be taken forward. Conversely, any Senior Executive Officer has recourse to the Executive Director of Finance where it is considered that any member of staff in Financial Services has not met the required standards. In the event that a Senior Executive Officer and the Executive Director of Finance fail to agree, the matter shall be raised with the Chief Executive who will be the final arbiter.

6.6.5 Dependent on the particular circumstances of any case, the Executive Director of Finance will communicate directly with Council Finance officers or exceptionally, through the Chief Executive. Council finance officers have direct

access to the Executive Director of Finance if circumstances arise where they consider that the standards required of them could potentially be compromised.

Staffing Arrangements

6.6.6 In terms of staffing within Services, the following conditions apply:

- the Business Partner responsible for financial matters allocated to each Service shall be a CCAB/CIMA qualified accountant and be a full member of the Service's management team;
- no changes to staff who have responsibility for financial management within a service may be considered without the prior agreement of the Executive Director of Finance
- the Executive Director of Finance will be invited to participate in the appointment of all senior staff in services whose core or operational role has responsibility for the management, control or reporting of the council's financial resources

7. BUDGETS AND BUDGETARY CONTROL

7.1 Introduction

7.1.1 This document provides a policy framework for the preparation and monitoring of budgets.

7.1.2 This Code of Practice defines the procedures and forms to be adopted by Council finance officers in the production of Council Estimates and Monitoring Statements.

7.2 Budget Preparation

7.2.1 Context

- In conjunction with the Executive Director of Finance, services will prepare, on an annual basis, a draft budget and service plan that will identify all service and financial implications of meeting the Council's priorities and targets over the planning time frame. The Administration will determine the format of the budget and service plan. The Chief Executive and Executive Director of Finance will provide services with detailed guidance on the completion of the budget and service plan;
- Services will provide any financial information required by the Council in relation to their service plan or any other matters deemed relevant by the Council;

- The Executive Director of Finance will ensure that the Council budget is set in accordance with all statutory requirements in respect of the production of a balanced budget and the setting of local taxation

7.2.2 Audit Trail and Supporting Documentation

- All service budgets will be based, in the first instance, on the approved budget of the previous year;

- The Executive Director of Finance shall maintain a full audit trail, providing analysis of budget movements from one year to the next. This audit trail will include an analysis of all adjustments including, growth, savings, inflation, resource redirections and budget pressures etc.;

- Services shall make available appropriate back-up to exemplify and support the value of material budget movements;

- The Executive Director of Finance will maintain lists of all budget options.

7.2.3 Devolved Budgets

- In order to discharge the management of expenditure and income effectively and ensure its control within approved budgets, Senior Executive Officers shall align financial accountability and responsibility with that of operations. Budgets shall be devolved to a level that accords with managerial decision making;

- Where budgets are decentralised, the basis for decentralisation must be clearly defined and understood by managers.

7.2.4 Budget Profiling

- The Executive Director of Finance will provide a core suite of standard profiles for the phasing of budgets;

- Services will ensure that budgets are profiled in a meaningful manner reflecting pay cycles, demand patterns and prior years' trends as appropriate;

- Services are responsible for the profiling of their budgets and shall, in conjunction with budget holders, develop and apply appropriate profiles;

- Budget profiles may be updated during the course of the financial year, with the agreement of the Executive Director of Finance, in order to reflect material variations in anticipated spend patterns.

7.3 Monitoring Reports

7.3.1 Format and Content of Reports

- Committee monitoring statements will be a joint report by the Senior Executive Officer and the Executive Director of Finance;

- Monitoring statements will be produced in line with the timetable issued by the Executive Director of Finance to meet the Committee reporting cycle;

- Monitoring reports shall be produced at levels appropriate to the recipient. Council monitoring statements will be produced at the highest level and more detailed cost centre and subjective analysis shall be produced for use within services;

- Monitoring statements will reflect the format agreed by Council and shall report annual and profiled budget and any approved variations during the year, actual to date and variances;

- Financial reporting of Related Companies will be included in the Committee monitoring statements;

- All material movements to budgets shall be reported;

- Significant variances shall be reported and explained, and include action to be taken;

- Services will provide a forecast of financial performance against budget to the year-end.

- These arrangements represent the minimum reporting requirements for monitoring. Additional reporting to Committees by Senior Executive Officers outwith this timetable or at a different level or format may be required.

7.3.2 Audit Trail

- All monitoring reports will be based on information contained in the Council's corporate ledger systems;

- Working papers, detailing the reason and value of adjustments to the base monitoring information will be maintained.

7.3.3 Adjustments

- Monitoring statements shall reflect a true and fair view. Appropriate adjustments shall be made in order to:

    - eliminate errors in base information;

- accrue known commitments in relation to the profile;

- account for known changes to the anticipated spend pattern.

Professional judgement shall be exercised in the compilation of such adjustments and appropriate supporting evidence shall be maintained.

7.3.4 Explanation of Variances

- Monitoring statements shall highlight reasons for material variances, management action plans being taken and the projected level of outturn variance where appropriate;

- Internal monitoring reports shall also assign responsibility for tasks in management action plans and report indicative timescales;

- Variances will be reviewed each period and progress of management action plans considered.

7.3.5 Materiality and Significance

- Appropriate focus shall be placed on variance analysis, the objective being to secure sufficient coverage to those variances that contribute most to deviation from income and expenditure budgets rather than comprehensive line by line analysis. By necessity, this will be a subjective professional judgement. Prescription is not advocated, as the materiality threshold for variance explanation will vary in accordance with:

  - reporting levels;

  - scale of budget;

  - degree of budget decentralisation;

  - political sensitivity;

  - impact on service delivery and performance.

  Service areas shall establish their decentralised materiality thresholds and criteria and communicate these to budget holders.

7.3.6 Authentication

- Internal monitoring reports prepared by Council finance officers shall be presented to, and certified by, the management or leadership team of the Service and recorded as appropriate;

- Service areas shall establish internal reporting mechanisms and procedures to address disputes on issues of financial management and control;

- Associated budgets relating to the recharge of income and associated expenditure between services or between services and other elements of the council family shall be subject to liaison and agreement at budget preparation, and throughout the year. In the event of failure to resolve disputes at service level, the matter shall be referred to the Executive Director of Finance.

7.4 Financial Support

7.4.1 Provision of Financial Information

- Financial reports shall be provided to budget holders in accordance with the financial accounting cycle based on the corporate ledger system.

7.4.2 Consultation

- Council finance officers shall maintain regular contact with budget holders to review their financial position and obtain variance explanations as required. This shall be undertaken appropriately in line with the Committee reporting process.

- Budget holders/service managers shall provide all relevant information required by finance officers;

7.4.3 Training

- Appropriate staff development and training resources shall be made available in support of effective financial management and control.

7.5 Virement

7.5.1 Criteria

- **Authority for the transfer of resources from one budget to another is provided in this Code of Practice and requires the agreement of the Executive Director of Finance. Approval of such virement shall take cognisance of the following criteria:**

  - adherence to the Accounting Code of Practice (ACOP);
  - the balancing of related expenditure and income issues;
  - movements within approved schemes of budget delegation;
  - the need to remedy anticipated budget pressures elsewhere;
  - the impact of approved service developments on the nature of service spend;

- previous Council decisions on the application of budget resources;
- the remedy of error in budget compilation;
- spend to save initiatives.

- Virement shall not be used:
  - to mask overspend and underspend issues;
  - to apply underspends or over-recoveries of income without reference to Committee;
  - to reverse any decision made by the Council during its budget process unless subsequently approved by Council.

- **Services shall limit requests for virement to material sums;**
- All approved virement will be reported in service monitoring statements;
- **Virement must not result in an increase in the overall budget of the Council in the current or any subsequent financial year.**

7.5.2 Authorisation

- **Virement adjustments shall be recorded in a form suitable for the approval of the Executive Director of Finance.**
- The Executive Director of Finance will approve virement between Services up to £500,000 all virement greater than this sum will require Committee approval.
- Any anticipated expenditure in excess of the authorised sum must be reported to Committee for approval prior to the commitment of expenditure.

8. LOCAL AUTHORITY RESERVES

8.1 Background

8.1.1 To assist authorities in developing a framework for reserves, CIPFA have issued guidance in the form of the Local Authority Accounting Panel (LAAP) Bulletin 99 – Local Authority Reserves and Balances. This guidance outlines the statutory framework for reserves, the purpose of reserves and some key issues to be considered when determining the appropriate level of reserves.

8.2 Statutory/Regulatory Framework for Reserves

8.2.1 Local Authorities may only hold reserves for which there is a statutory or regulatory power to do so. In Scotland the legislative framework is as follows:

Reserve	Powers
General Fund	Local Government Scotland Act 1973
Capital Fund Repairs and Renewals Fund Insurance Fund	Local Government Scotland Act 1975
Cultural & Recreational Fund	City of Glasgow District Council Order Confirmation Act 1988

These reserves are defined as the useable reserves of the authority.

8.2.2 For each reserve there is a clear protocol setting out:

- the reason / purpose of the reserve
- how and when the reserve can be used
- procedures for the reserves management and control
- the review timescale to ensure continuing relevance and adequacy

The protocol for each reserve is as follows:

General Fund

Purpose of the Reserve

Every local authority shall have a general fund and

(a) all sums received by or on behalf of the authority shall be paid into that fund;

(b) all fees, commissions, discounts allowed on payment of accounts and expenses payable to or recovered by any officer of a local authority in respect of any business relating to the authority whether by reason of his office or otherwise shall be accounted for and paid into that fund;

and all sums payable by the authority shall be paid out of that fund.

The Local Authority (Capital Finance and Accounting) (Scotland) Regulations 2016 prescribes the requirement for each local authority to establish a loans fund as part of the general fund of the authority.

Use of reserve

This represents the general reserve of the Council and is used to support the overall financial strategy of the

	Council. Any use of general fund reserves must be approved by the Council through the appropriate committee framework.
Management and Control	Management and control is maintained through established financial management reporting frameworks and specifically though the annual accounts and annual estimates process.

Capital Fund

Purpose of the Reserve	To defray any expenditure of the authority to which capital is properly applicable, or in providing money for repayment of the principal of loans (but not any payment of interest on loans)
Use of reserve	The capital fund will support major capital investment projects within the Council's approved capital programme.
Management and Control	Management and control is maintained through established financial management reporting frameworks and specifically through the annual accounts and annual estimates process.

Repairs and Renewals Fund

Purpose of the Reserve	To defray expenditure to be incurred from time to time in repairing, maintaining, and renewing any buildings, works, plant, equipment or articles belonging to the authority.
Use of reserve	Various repairs and renewals funds are used to manage investment in buildings and equipment across the City
Management and Control	Management and control is maintained through established financial management reporting frameworks and specifically though the annual accounts and annual estimates process.

Insurance Fund

Purpose of the Reserve	An authority may operate an insurance fund for the following purposes: (a) where the authority could have insured against a risk but have not done so, defraying any loss or damage suffered, or expenses incurred, by the authority as a consequence of that risk; (b) paying premiums on a policy of insurance against a risk

Use of reserve	The reserve is used to manage insurance risks and costs over the medium term
Management and Control	The insurance fund is subject to dedicated accounting rules and procedures as approved by LASAAC (Local Authorities Scotland Accounts Advisory Committee)

Cultural and Recreation Fund

Purpose of the Reserve	To enhance the social, cultural or recreational activities of the city.
Use of reserve	To provide financial support to cultural events and investment in the recreational and sporting infrastructure of the city.
Management and Control	Management and control is maintained through established financial management reporting frameworks and review though the annual accounts and annual estimates process.

The adequacy and relevance of each fund is reviewed by the Executive Director of Finance through the annual accounts process and through the annual estimates process. All recommendations for movements in balances are reported to Council either through the annual accounts or as part of the annual estimates.

8.2.3 In addition, over recent years the Code of Practice on Local Authority Accounting in the United Kingdom has introduced a number of technical reserves in line with proper accounting practice associated with capital accounting, pensions, financial instruments and employee benefits. These reserves are defined as unusable reserves and are governed by specific accounting treatment and do not form part of the Council's general available reserves.

8.3 Operation of Reserves

8.3.1 Useable reserves are generally held to do three things:

- create a working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing – this forms part of general reserves;
- create a contingency to cushion the impact of unexpected events or emergencies – this also forms part of general reserves; and
- create a means of building up funds, often referred to as earmarked reserves, to meet known or predicted liabilities.

8.4 Role of the Executive Director of Finance

8.4.1 The Executive Director of Finance is responsible for advising on the levels of reserves. The Council, based on this advice, should then approve the appropriate strategy as part of the budget process.

8.5 Adequacy of Reserves

8.5.1 There is no guidance on the minimum level of reserves that a Council should hold. In determining reserve levels, the Executive Director of Finance must take account of the strategic, operational and financial risks facing the Council over the medium term and the Council's overall approach to risk management.

8.5.2 In determining the level of general reserves the Executive Director of Finance should consider the Council's medium term financial strategy and the overall financial environment.

8.5.3 In light of the size and scale of the Council's operations, over the medium term it is proposed that a prudent level of general reserves will represent approximately 2% of net expenditure. This value of reserves must be reviewed annually as part of the Council's estimates process and in light of the financial environment at that time including the level of IJB reserves.

8.5.4 The level of other earmarked funds will be established as part of the annual accounts and estimates process.

8.6 Reporting Framework

8.6.1 The Executive Director of Finance has a fiduciary duty to local taxpayers to ensure proper stewardship of public funds.

8.6.2 The level and utilisation of reserves will be formally approved by Council based on the advice of the Executive Director of Finance. To enable the Council to reach a decision, the Executive Director of Finance should clearly state the factors that influenced this advice.

8.6.3 As part of the budget report the Executive Director of Finance should state:

- the current value of general reserves, the movement proposed movement during the year and the estimated year-end balance and the extent that balances are being used to fund recurrent expenditure.
- the adequacy of general reserves in light of the Council's medium term financial strategy.
- an assessment of earmarked reserves and advice on appropriate levels and movements during the year and over the medium term.

9. CAPITAL INVESTMENT FRAMEWORK

9.1 Introduction

9.1.1 This section provides a definition of capital expenditure and a policy framework for the preparation and monitoring of the capital investment programme. It

defines the procedures and forms to be adopted by both central and service finance officers in the production of the Council's capital programme and capital monitoring statements.

9.2 Definition of Capital Expenditure

9.2.1 The CIPFA Accounting Code of Practice defines capital expenditure as:

All expenditure on the acquisition, creation or enhancement of fixed assets.

9.2.2 This includes expenditure on the:

- Acquisition, reclamation, enhancement or laying out of land;
- Acquisition, construction, preparation, enhancement or replacement of roads, buildings and other structures; and
- Acquisition, installation or replacement of moveable or immovable plant, machinery, apparatus, vehicles and vessels.

9.2.3 In this context, enhancement means the carrying out of works that are intended to:

- Lengthen substantially the useful life of the asset; or
- Increase substantially the open market value of the asset; or
- Increase substantially the extent to which the asset can or will be used for the purposes of, or in conjunction with the functions of the local authority concerned.

9.2.4 Where expenditure is incurred to ensure a fixed asset **maintains** its previously assessed standard of performance, this shall be recognised in the **revenue account** as it is incurred.

9.3 Capital Investment Proposals

9.3.1 Policy priorities will be determined by the Council and individual investment proposals within this framework shall be subject to the preparation of proportionate business cases including options appraisal and cost benefit analysis.

9.3.2 The Council's Capital Project Management Toolkit sets out the proportionate documentation and process to be applied to request for capital investment and further information can be obtained from Corporate Governance and Corporate Finance. This may include the development of a Strategic, Outline and Full Business Case, based on HM Treasury's Green Book.

9.3.3 All investment proposals must include a financial analysis that outlines the financial implications to the Council of the proposal and the recommended course of action. The analysis shall cover total cost, anticipated funding streams and any revenue consequences. An appropriate format will be

determined by the Executive Director of Finance and updated from time to time as required.

9.3.4 The Prudential Framework offers further opportunities for financing capital investment. All proposals must be supported by a financial analysis identifying:

- the value of the capital investment, and
- any additional costs (including financing costs) and either savings accruing from the investment or additional income that will be generated over the life of the project.

9.4 Capital Programme

9.4.1 Capital Investment proposals (outside the annual estimates process) will be considered and approved by the Capital Programme Board (see Section 11) prior to submission to the appropriate Committee for council approval. Services will be required to prepare appropriate business cases to support the investment proposal, including details of:

- capital investment requirements that are aligned to the budget and service plan strategy
- an analysis of anticipated spend patterns over the life of each capital project
- an analysis of capital grants and any other capital income that are available to fund the project
- where appropriate an analysis of reduced operating costs/additional income that may be used to fund capital financing under prudential borrowing (see paragraph 9.5.5 below)
- the associated operational revenue consequences.

9.4.2 The Executive Director of Finance shall maintain appropriate financial models, over the medium term, that;

a) monitors capital expenditure and income patterns over the life of ongoing capital projects

b) forecasts capital expenditure and income patterns for planned projects

c) continually assesses the likely impact upon the revenue budget and affordability in terms of the Council's prevailing financial strategy.

9.4.3 Projects contained within the approved Capital programme will be released in light of the available capital resources throughout the year. No expenditure on newly approved capital projects shall be initiated without the approval of the Capital Programme Board, Executive Director of Finance and the formal approval of committee.

9.5 Capital Funding

9.5.1 The Executive Director of Finance shall take a medium to long-term view in assessing available funding for capital expenditure and inform the financial strategy.

Borrowing

9.5.2 The Executive Director of Finance shall maintain loan debt registers for all associated capital borrowing that defrays the capital cost over the life of the asset.

Capital Receipts

9.5.3 In conjunction with the Managing Director of City Property (Glasgow) LLP, the Executive Director of Finance will determine the estimated value of asset sale receipts obtainable in each year.

Use of Balances

9.5.4 The Executive Director of Finance will determine appropriate levels of balances available for supporting capital expenditure in line with the provision of the Code of Practice on Local Authority Reserves and Balances.

Prudential Code

9.5.5 The Prudential Framework offers further opportunities for financing capital investment. Policy on the use of the prudential borrowing framework will be set as part of the Council's prevailing financial strategy.

9.5.6 All proposals must be supported by a proportionate business case identifying:

- The value of the capital investment; and
- Any additional costs (including debt charges) and either savings accruing from the investment or additional income that will be generated over the life of the project.

9.5.7 The Executive Director of Finance shall advise on the form, rate and timescales of borrowing to be applied in each case.

9.5.8 All capital projects seeking to use prudential borrowing will be considered and approved by the Council's Capital Programme Board and appropriate Committee.

9.5.9 The Executive Director of Finance will be responsible for the production and reporting of the prudential code indicators in line with the Treasury Management strategy.

9.6 Capital Monitoring

9.6.1 On a quarterly basis throughout the financial year, detailed capital monitoring statements will be reported to an appropriate Committee. This will cover detailed reporting on all major projects as a minimum, taking account of project value, as well as the complexity of the project, having due regard to risk management and composite funding frameworks. The balance of the service programme may be reported in summary, with only significant issues being highlighted.

9.6.2 Detailed capital budget monitoring statements will compare actual and projected expenditure over years with the approved budget for each project (or category of project), for each of the major projects and other projects. The statement will also highlight actual and projected variances from both the approved budget and anticipated timescale for delivery of the project, outlining reasons for the variance and remedial action to be taken. Details of approved budget changes and projects completed since last reporting will also be included.

9.6.3 Corporate projects will be reported by nominated lead services.

9.6.4 Summary capital budget monitoring statements will be prepared in line with the reporting requirements determined by the Executive Director of Finance. Where an overspend is projected, Senior Executive Officers are required to report to an appropriate Committee, outlining the reasons for the projected overspend and the remedial action to be taken in order to manage the delivery of projects within the overall resources available to the service. In addition, where appropriate, Senior Executive Officers will be requested to provide reasons for slippage and action plans to ensure the delivery of approved programme commitments within agreed timescales.

9.6.5 Capital monitoring statements will be agreed and reported jointly by the Executive Director of Finance and Senior Executive Officers.

9.6.6 These arrangements represent the minimum reporting requirements for capital monitoring. Additional reporting on capital projects to Committees by Senior Executive Officers outwith this timetable or at a different level or format may be required.

9.6.7 A relevant Committee will have responsibility for monitoring the physical delivery and financial performance of the programme and will also receive reports on the physical delivery and financial performance of the programme. Reports on capital projects that highlight a financial impact on the Council will be submitted to an appropriate Committee for approval.

9.7 Virement and Additional Approvals

9.7.1 The Executive Director of Finance will approve virement between individual capital projects up to £500,000 all virement greater than this sum will require Committee approval.

9.7.2 Any anticipated expenditure in excess of the approved programme must be reported to Committee for approval prior to the commitment of expenditure.

9.8 Asset Management Plans

9.8.1 The Prudential Framework calls for the establishment of Asset Management Plans.

9.8.2 The Prudential Framework calls for the establishment of Asset Management Plans. The objectives of asset management planning are summarised in the CIPFA document "A guide to Asset Management and Capital Planning in Local Authorities". It refers to property, but these extend to all asset classes and the objectives are as follows:

- Ensuring properties are managed effectively and demonstrate they deliver best value.
- Maintaining and improving the portfolio to meet the needs of the Council's services and its statutory obligations.
- Ensuring that the property portfolio meets future demands.
- Delivers significant efficiency savings.

9.8.5 The Council has established a number of policies and procedures to manage and control its assets including: -

(a) Understanding current and future Service/ associated or subsidiary companies and trusts needs

(b) Reviewing existing property, transport, infrastructure and ICT requirements

(c) Investment planning

(d) Ensuring that operational properties are compliant with statutory requirements.

(e) Delivery of a Facilities Management service across all property.

(f) Provision of a co-ordinated Health and Safety regime across the portfolio.

(g) Co-ordinating the provision of information to comply with the Statutory Performance Indicator (SPI) returns.

(h) Development of corporate property standards including a property performance regime.

(i) Manage energy efficiency/decarbonisation projects across the portfolio contributing to Glasgow City Council requirements under the Carbon Reduction Commitment.

(j) Managing property budgets.

9.9 VAT

9.9.1 All proposed capital projects must be referred to the Council's VAT Officer in accordance with 3.2 above.

10. VALUE ADDED TAX

10.1 Background

10.1.1 The Executive Director of Finance is the senior accounting officer of the Council group, therefore Finance Officers, whether working in Corporate, Services or ALEOs, are responsible to the Executive Director of Finance for the provision of accurate Value Added Tax (VAT) information through the Council's VAT Officer.

10.1.2 As with all VAT registered organisations, the Council is responsible for managing its VAT affairs in accordance with the Value Added Tax Act 1994, and VAT Regulations issued by Her Majesty's Revenue and Customs (HMRC).

10.1.3 The Council does not have an automatic entitlement to recover VAT incurred in full. By virtue of its status as a local authority, the Council is entitled to make use of special VAT rules (s33 of the VAT Act 1994) that allow recovery of VAT incurred in providing statutory (non-business) and exempt business activities which would not normally be recoverable by other VAT registered organisations. These advantageous VAT rules entitle the Council to full VAT recovery, provided that it remains within statutory limits relating to the recovery of VAT on exempt business activities. The use of these special VAT rules applies only to the GCC VAT registered body; they do not extend to the ALEOs - all of which are separately VAT registered and subject to the normal rules on VAT recovery.

10.1.4 In order to recover VAT incurred on exempt business activities in full, the Council is required to evidence that VAT on such activities is no more than 5% of the total VAT incurred during that financial year (the Partial Exemption calculation). If the Council were to breach this limit, it would be required to repay to HMRC all VAT incurred on exempt business activities recovered during that year.

10.1.5 To date the Council has remained under its Partial Exemption limit and has been able to fully recover the VAT it has suffered in all of its activities. Nevertheless, there are considerable pressures placed on the ability of the Council to maintain this position, including new capital projects, changes to legislation, working arrangements with external partners, funding mechanisms, etc.

10.1.6 The activities most likely to result in the Council breaching its Partial Exemption limit are transactions in land and property; joint working and

funding with non-Council organisations; and cultural and educational activities.

10.1.7 Paragraph 3.2 of this Code of Practice states:

Service Executive Directors/ Chief Officer shall ensure that arrangements are in place to properly establish the correct liability, process and accounting for VAT. For major works, service reform and other changes in service delivery, full information must be provided to the Council's VAT Officer at an early stage in the planning. In response the VAT Officer will provide appropriate VAT advice. This will include identification of any potential risks, restrictions and/or liability to charge VAT on any identified income or funding. Appropriate mitigating actions will be recommended where required.

10.1.8 Failure to refer changes in service delivery, proposed capital projects or major items revenue expenditure could place the Council at risk of incorrect VAT accounting. HMRC VAT Regulations can be extremely complex and HMRC have the power to apply financial penalties for failure to comply with statutory requirements. These penalties can be up to 100% of the VAT incorrectly accounted for, and can be applied in addition to an interest charge. Services will be responsible for interest and/or penalties charged by HMRC where the Service has failed to obtain, or comply with, appropriate VAT guidance that results in the incorrect VAT treatment.

10.1.9 It is therefore very important for all officers to be aware of their role in ensuring the Council's compliance with and adherence to HMRC's VAT regulations and the requirements of the Council's operational VAT framework.

10.1.10 The following operational framework is designed to protect the Council by assisting the Executive Director of Finance to ensure that all VAT related issues arising from capital contracts, major revenue works and changes in working practices are properly taken account of at each stage of the process from formulation to asset construction and/or service delivery etc.

10.2 VAT – Operational Framework

Implementation of New Initiatives or Changes to Existing Service Delivery

10.2.1 VAT implications can arise from a variety of sources:

- Capital and revenue projects;
- Joint working arrangements;
- Joint funding arrangements;
- New initiatives;
- Service reform;
- Income generation;
- Changes to actual or intended use of assets; and,
- Changes in working practices.

10.2.2 It is vitally important that the VAT implications are identified and analysed. Most, but not all, projects can be arranged to accommodate the VAT

implications if identified at an early stage in the planning process. Failure to take account of the VAT implications may result in projects becoming financially unviable due to VAT being irrecoverable, or having to account for VAT on funding received. It is critical therefore to identify and quantity any VAT implications during the planning stage to prevent false expectations on the part of officers, Elected Members, and outside agencies.

10.2.3 The type of information required to identify the VAT implications will vary in each case, but full details on the project should always be provided. It is acknowledged that full relevant information may not be available at an early stage, but this should not prevent the VAT Officer being approached for an initial discussion and consideration of the potential risk.

10.2.4 Before the proposal is presented to Elected Members, the VAT implications should be revisited to ensure there have been no changes to the proposal that impact upon the Council's ability to recover VAT or the liability to charge VAT on income/funding. It will be the responsibility of the VAT Officer to give a definitive ruling on the VAT implications contained in the proposal.

10.2.5 Thereafter changes to the proposal will not be accepted if they present a VAT liability to the Council that cannot be accommodated or mitigating action taken.

11. CAPITAL INVESTMENT PLANNING and PROGRAMME BOARDS

11.1 The Council has established Capital Investment Planning and Programme Boards (the Boards) to ensure effective planning and management of the Council's major capital projects. Both boards are made up of senior officers from Financial Services.

11.2 The Capital Planning Board will review the overall requirement for capital investment against the available resources and develop medium term investment proposals to meet identified needs.

11.3 Services and ALEOs will prepare an analysis of their investment requirements in line with the format and timescales of the planning board.

11.4 The Capital Programme Board will consider and recommend proposals for additional capital investment during the year, prior to formal consideration and approval by committee. The Board will also monitor the resources available to fund the Programme and the progress of individual projects/programmes, and the overall Programme, across Council Services and Arm's Length External Organisations (ALEOs).

11.5 The Capital Programme Board ensures the capital programmes/ projects are delivered efficiently and effectively and provide value for money.

11.6 There is an agreed term of reference for both Boards.

12. STRATHCLYDE PENSION FUND

12.1 Introduction

Strathclyde Pension Fund Office administers the Strathclyde Pension Fund on behalf of over 200,000 members from certain member organisations, mostly public sector, from the previous Strathclyde area.

The Council has the legal responsibility as administering authority for the Fund, and delegates this through the Strathclyde Pension Fund Committee, which makes the decisions for the Fund.

12.2 Strathclyde Pension Fund Committee

The Strathclyde Pension Fund Committee has the power to discharge all functions and responsibilities relating to the Council's role as administering authority for the Strathclyde Pension Fund. This includes overseeing the administration of the Local Government Pension Scheme and managing the investments of the Strathclyde Pension Fund.

The full terms of reference for the Committee are available on the Council's Internet site. The principles within this Code of Practice, apply to Strathclyde Pension Fund.