Financial Regulations

The Financial Regulations sets out the framework for how the Trust prepares its investment and budget strategies and sets out the rules governing the financial transactions of the Trust.

The Financial Regulations include sections on:

- Introduction and General Guidelines
- Statutory Framework
- Responsibilities
- Separation of Duties
- Financial Planning
- Budget Preparation, Monitoring and Control
- Budget Responsible Officer and Authority to Spend
- Procurement of Goods, Works and Services
- Treasury Management
- Property, Inventories and Disposal of Assets
- Risk Management and Insurances
- Salaries, Wages and Pensions
- Travelling Expenses and Allowances
- Payment of Accounts
- Control of Income
- Banking Arrangements
- Cash Imprests
- Stocks and Stores
- Security

The Regulations are supported, where necessary, with detailed guidance and procedure notes. The Regulations are replicated in full below.

Introduction and General Guidelines

There are three documents governing the conduct of the Trust's business. The Trust Deed sets out what the Trust can do, the Administrative Regulations set out the governance and administrative rules as to how it conducts its business and the Financial Regulations sets out the rules governing the financial business and transactions of the Trust.

These Financial Regulations set out a framework for the proper financial administration of the Trust.

The Regulations should be supported by detailed Financial Procedures for each of the topics.

The Financial Regulations need to be read and understood by any member of staff who may be incurring expenditure on behalf of the Trust.

Ultimate responsibility for ensuring the proper financial administration of the Trust rests with the General Manager, on behalf of the Trustees.

Only members of staff may commit the Trust to any expenditure. If Trustees have a need to commit expenditure, they should do so with the prior agreement of the General Manager and follow the guidelines for authorisation set out in these regulations.

No member of staff shall commit expenditure without proper prior authorisation by the relevant responsible officer.

Only expenditure and income related to the business of the Trust can be administered through the Trust's accounts. No member of staff or trustee's personal expenditure can be administered through the accounts of the Trust. No expenditure relating to a business interest of a member of staff or Trustee may be administered through the accounts of the Trust.

For ease of writing, this document refers to the responsibility being that of the General Manager. Much of the operational responsibility for financial matters rests with the Financial Controller.

Statutory Framework

In accordance with the Charities and Trustees Investment (Scotland) Act 2005, a charity must:

(a) keep proper accounts
(b) prepare for each financial year of the charity a statement of account, including a report on its activities in the financial year
(c) have the statement of account independently examined or audited
(d) send a copy of the statement of account to the Office of the Scottish Charity Regulator ((OSCR)
(e) maintain the relevant financial records for a period of 6 years from the end of the financial year in which they are made.

The General Manager shall be responsible for ensuring the accounting system delivers accounts in a form that complies with all relevant statutory requirements and deadlines.

Responsibilities

The General Manager shall be responsible for the proper administration of the Trust's financial affairs.

The General Manager shall be responsible to the Trust for proposing regulations and controls to ensure the proper administration of the finances of the Trust.

The Board of Trustees shall provide strategic direction to the General Manager on the administration of the Trust's financial affairs, to protect the assets of the Trust and ensure that it operates within its financial means.

The General Manager shall be responsible for advising Trustees on the impact of changes in financial legislation, regulations and taxation relevant to the affairs of the Trust.

The General Manager shall be responsible for the provision of financial advice and information to the Board of Trustees to ensure they can fulfil their responsibilities, including an explanation of the financial implications of any decisions.

The General Manager shall ensure that at all times proper and adequate financial systems exist which deliver the information necessary for effective financial management.

The General Manager shall ensure that the Board of Trustees is kept informed of the Trust's overall finances through regular reporting and information.

Separation of Duties

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

(i) the duties of providing information regarding sums due to or from the Trust and of calculating, checking and recording these sums, shall be separated as completely as possible from the duties of collecting or disbursing them;

(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; and

(iii) where these principles cannot be complied with it shall be reported to the Board of Trustees together with steps taken to minimise any risk.

No financial sums or other assets shall be written out of the accounts without the approval of the Board of Trustees.

Financial Planning

The Trust has Long Term Financial Policies, which inform the Three Year Budget Strategy. These policies are formally reviewed on a three year cycle and updated annually and amended, as appropriate, by the Trustees.

The Financial Controller is responsible for detailed Long Term Financial Planning, which draws upon and informs the Long Term Financial policies, through suitable reports to Trustees.

Budget Preparation, Monitoring and Control

Each year, the General Manager shall prepare a budget of expected income and expenditure for the approval of the Board of Trustees.

It is the responsibility of the General Manager to monitor and control overall income and expenditure (including commitments) against the budgets of the Trust.

It is the responsibility of each Budget Responsible Officer (BRO) to monitor and control income and expenditure (including commitments) against the budgets that she/he is responsible for.

All reasonable effort should be made to ensure that no expenditure is incurred which exceeds an approved budget for a given service or project. All reasonable efforts should be made to ensure that expenditure is incurred for the purposes, and in the amounts, approved by the Trust. All reasonable efforts should also be made to ensure that income is collected at least up to the level of an approved budget for a given service or project.

Where expenditure is unavoidably incurred which exceeds an approved budget then the Budget Responsible Officer must report, via the General Manager, the facts and circumstances at the earliest opportunity with proposals for remedial action to get the budget back into balance.

Virement is the power to transfer resources between approved budgets. The governing principle is that BROs should pursue the service outputs determined by the Trust, and should have sufficient flexibility over the inputs to concentrate on that objective. In practice this means that BROs should have full budget flexibility to move money between the type of expenditure to be incurred on each service or project. However, moving money between projects or services requires the approval of the Board of Trustees (as, by implication, this is changing the level of service to be provided).

Budget Responsible Officer and Authority to Commit and Spend

Approval of a budget is a key control mechanism for the Trust. Without an approved budget by the Board of Trustees, a member of staff can incur no expenditure on a project or service. Committing the Trust to expenditure without prior budget approval may, if significant, result in disciplinary action.

For each budget there is a Budget Responsible Officer (BRO). The BRO is responsible for preparation, monitoring and control of that budget. This is usually the person who will be taking the spending decisions on what is needed to deliver a particular project or service and also what charges need to be levied to cover some or all of the costs.

Prior to committing the Trust to the acquisition of goods, works and services the BRO must demonstrate that:

- The action is legal and charitable in terms of the Charities and Trustee Investment (Scotland) Act 2005
- The project or service is in accordance with the terms of the Trust Deed and solely in the interests of Shetland and its inhabitants (indirect benefit by others is acceptable)
- The project or service contributes directly to the Trust's Corporate Plan or Strategy, if available

- The project or service is part of the service agreement or business or operating plan for the year, if available
- any funding conditions can be met
- there an approved budget for the cost of acquisition
- the proposed expenditure secures value for money for the Trust

Should any BROs be unsure as to whether or not their intention to acquire, and/or make a commitment for, goods, works or services complies with the conditions laid out above, they should refer the case to the General Manager.

Treasury Management

Treasury Management is the responsibility of the Financial Controller. A Service Level Agreement with the Council's Finance Service is in place for the day to day operational aspects of this work, on the basis of CIPFA's "Code of Treasury Management in the Public Services".

Treasury Management is divided into two categories, namely, managing external investments and cash management.

The Financial Controller reports annually on the Funds' policies, and on performance for each of the Funds with external investments to each meeting of the Trust.

Cash Management is an operational function of the Trust and day to day responsibility lies with the Financial Controller.

The detailed procedures which must be followed in this area are set out in the Treasury Management Manual.

Procurement of Goods, Work and Services

Purchase Orders for works, goods and services shall be issued for all works, goods or services to be supplied to the Trust except for supplies of public utility services (e.g. telecommunications, electricity, water and drainage), periodical payments, petty cash purchases or other such exceptions approved by the Board of Trustees.

Incurring additional staffing costs, such as travel, accommodation, subsistence, expenses and overtime costs, etc, also requires prior written authority, in a form to be determined by the General Manager.

Property, Inventories and Disposal of Assets

The General Manager, or his/her nominee, shall maintain a register of all land and heritable properties owned or leased by the Trust.

The General Manager shall have the custody of all title deeds and lease documents, and shall ensure their security.

Inventories shall be maintained covering all owned and leased items of furniture, fittings, vehicles, vessels, plant and machinery.

The Trust's property shall not be used other than for the Trust's purposes, nor removed other than in the course of Trust business, except under specific instruction from the General Manager and as provided for in the Trust's Code of Conduct for Employees.

Once the Trust has satisfied itself that it has no further need for an owned asset, it may dispose of the asset by advertising the items for private bids. If assets are to be open to bids from Trust staff for private use, they must also be advertised externally at the same time. The Trust will pay the costs of advertising and manage the sealed bids process and allocate the obsolete asset to the highest bidder.

Risk Management and Insurances

The Trust shall ensure that it carries adequate insurance cover for all statutory requirements and reasonable insurable risks.

All reportable incidents, accidents and claims, and material facts which may give rise to a claim, must be reported to the Board of Trustees.

In line with statutory requirements, the Board of Trustees is responsible for ensuring that it has in place adequate Risk Management arrangements.

All Trust employees are expected to adopt the principles of Risk Management in their daily working practices.

Salaries, Wages and Pensions

The payment of all salaries, wages, pensions, compensation and other emoluments to all employees or former employees of the Trust shall be made by the General Manager, under arrangements approved and controlled by her/him.

The General Manager shall notify the payroll administrator as soon as possible of all matters affecting the payment of such emoluments, in particular:

(a) appointments, resignations, dismissals, suspensions, secondments and transfers;
(b) changes in remuneration, other than normal increments and pay awards and agreements of general application; and
(c) information necessary to maintain records of service for pension, income tax, national insurance and the like, including sick leave.

All such forms and records shall be forwarded to the payroll administrator timeously within the deadlines set by him/her. In particular no payment will be made in relation to claims over six months old except with the approval of the Board of Trustees.

The names of staff authorised to certify such records shall be sent to the payroll provider and shall be amended on the occasion of any change.

Travelling Expenses and Allowances

Payments to Trustees who are entitled to claim travelling or other allowances will be made by the General Manager upon receipt of the prescribed form duly completed and certified.

All claims by staff for payment of car allowances, subsistence allowances, travelling and incidental expenses shall be submitted to the payroll provider, duly certified (by the claimant and countersigned by or on behalf of the General Manager), in a form approved by him/her, made up to a specified day of each month, timeously within the deadlines set by him/her. In particular, no payment will be made in relation to claims over six months old, except with the express approval of the Board of Trustees.

The names of Officers authorised to certify such records shall be sent to the payroll provider and shall be amended on the occasion of any change.

The certification by or on behalf of the General Manager shall be taken to mean that the certifying Officer is satisfied that the journeys were authorised, the expenses properly and necessarily incurred, that the allowances are properly payable by the Trust, and that no payment will be made by any other body or person towards such expenses or allowances.

Payment of Accounts

Apart from petty cash the normal method of payment of accounts due from the Trust shall be by cheque or other instrument drawn on the Trust's bank accounts.

The Budget Responsible Officer issuing orders is responsible for ensuring independent examination, verification and certification of related invoices to ensure appropriate segregation of duties, and similarly for any other payment vouchers or accounts arising in his/her area of responsibility.

Before certifying an account the Budget Responsible Officer shall have satisfied him/herself that:

- the work, goods and services to which the account relates have been received, examined and approved;
- the amounts are correct;
- appropriate entries have been made in inventories, stores or stock records as required, and
- the account has not been previously passed for payment and is a proper liability of the Trust.

Control of Income

The collection of all money due to the Trust shall be under the supervision of the General Manager.

Each BRO shall furnish the General Manager with such particulars in connection with work done, goods supplied or services rendered, and of all other amounts due, as may be required to record correctly all sums due to the Trust and to ensure the prompt rendering of accounts for the recovery of income due.

All money received by an officer on behalf of the Trust shall without delay be paid to the Trust's bank accounts. No deduction may be made from such income unless specifically directed by the General Manager. Each Officer who so banks money shall enter on the paying-in slip a reference to the related debt or otherwise indicate the origin of the cheque on the reverse of each cheque.

Banking Arrangements

All arrangements with the Trust's bankers shall be made by the General Manager, who shall be authorised to operate such banking accounts as may be considered necessary.

All cheques shall be ordered only on the authority of the General Manager, who shall make proper arrangements for their safe custody.

Cheques on the Trust's accounts shall be signed by the General Manager or his/her nominees.

The Trust shall not enter into a loan agreement without the approval of the Board of Trustees.

The Trust's overdraft limit shall be approved by the Board of Trustees and shall not be exceeded without the prior agreement of the Board.

The General Manager shall ensure that the Trust secures the best possible interest rate from any cash held at the bank.

Cash Imprests

The General Manager shall provide such cash imprest advances as considered appropriate for such Officers as may need them to meet the requirements of petty cash and other expenses. Reinstatement of the cash imprest balance shall be done to a frequency determined by the General Manager.

No income received may be paid into a cash imprest, but must be banked.

Payments from cash imprests shall be limited to minor items of expenditure and to such other items as the General Manager may approve, and shall be supported by a receipt wherever possible.

An Officer responsible for a cash imprest shall, if and when requested, give the General Manager a certificate as to the state of the imprest.

On leaving the employment of the Trust or otherwise ceasing to be entitled to hold a cash imprest, an Officer shall account to the General Manager for the state of the imprest.

Stocks and Stores

The General Manager shall be responsible for the care of stocks and stores.

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

The General Manager shall arrange for periodic test examinations of stocks by persons other than the regular storekeepers, and shall ensure that all stocks are recorded and reconciled at least once a year.

Security

The General Manager is responsible for maintaining property security at all times for all buildings, inventories, stocks, stores under his/her control, including any special security arrangements needed.

Keys, combinations and other means of securing safes and similar receptacles are to be kept secure in the possession of the person responsible at all times, and any loss of such security must be immediately reported to the General Manager.

The General Manager shall be responsible for maintaining the proper security and privacy of all information held, whether by computer or otherwise.