

Financial Governance – Financial Directives

Report by Gary Fairley, Chief Officer Corporate Solutions

Report for Noting

1 Recommendations

Audit Committee is recommended to

- i.) Endorse the interim updates to the Financial Directives as set out in appendix 2, and;
- ii.) Note the next stage of review to be undertaken to complete a full refresh of the Financial Directives. An outline of progress made to date and further work is set out in appendix 1.

2 Purpose of Report / Executive Summary

The purpose of this report is to provide an update on the refresh of the Financial Directives recognising both the extensive the work that has been completed as well as the next stage of review work aimed at providing a fully comprehensive and up to date set of Financial Directives.

Section 95 of the Local Government (Scotland) Act 1973, requires all Local Authorities in Scotland to have adequate systems and controls in place to ensure the “proper administration of their financial affairs”, including the appointment of an officer with full responsibility for their governance. The Financial Directives are a core element of these systems and controls.

The Financial Directives support The Financial Regulations, which are also being updated and presented to Council on 28 June 2022 for their approval. The Chief Officer Corporate Solutions has delegated authority to update the Financial Directives with the requirement that any changes require the endorsement of Audit Committee.

The Financial Directives are by their nature detailed documents and the changes which have been incorporated since they were last updated reflect the Scheme of Administration, the current Leadership Structure and various changes in wider financial governance arrangements.

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Report Contact:

Gary Fairley, Chief Officer Corporate Solutions

gary.fairley@midlothian.gov.uk

0131 271 3110

3 Background

The Financial Directives cover all relevant aspects of financial administration and, as determined by the Financial regulations, the Chief Officer Corporate Solutions the delegated authority to alter the Financial Directives with any changes to be reported to Audit Committee for endorsement.

The Financial Directives currently cover 27 specific areas which have been updated to reflect the Scheme of Administration, the current Leadership Structure and various wider financial governance changes. Further review of each directive will be undertaken in order to provide an up to date, user friendly set of Financial Directives to conclude this piece of work.

4 Revised Financial Directives

The principal changes reflect;-

- a) The scheme of administration which provides for Financial reports to be presented to Council rather than Cabinet;
- b) The current Leadership Structure;
- c) A range of other financial governance improvements.

Appendix 1 summarises the progress of the review work with an updated set of Financial Directives included at Appendix 2. Audit Committee is asked to endorse the updated Financial Directives set out in Appendix 2.

5 Report Implications (Resource, Digital and Risk)

5.1 Resource

Whilst this report deals with financial issues there are no financial implications arising directly from it.

5.2 Digital

There are no digital implications associated with this report.

5.3 Risk

Section 95 of the Local Government (Scotland) Act 1973 requires all Local Authorities in Scotland to have adequate systems and controls in place to ensure the proper administration of their financial affairs.

The updated Financial Directives for a core part of these systems and controls. Ensuring that adequate systems and controls are in place help mitigate financial risk.

5.4 Ensuring Equalities

No equality issues have been identified when updating the Financial Regulations.

5.5 Additional Report Implications

See Appendix A

Appendices

Appendix A - Report Implications

Appendix 1 – Summary of changes

Appendix 2 - Updated Financial Directives

APPENDIX A – Report Implications

A.1 Key Priorities within the Single Midlothian Plan

Effective financial governance will support the delivery of the key priorities in the single Midlothian Plan.

A.2 Key Drivers for Change

Key drivers addressed in this report:

- Holistic Working
- Hub and Spoke
- Modern
- Sustainable
- Transformational
- Preventative
- Asset-based
- Continuous Improvement
- One size fits one
- None of the above

A.3 Key Delivery Streams

Key delivery streams addressed in this report:

- One Council Working with you, for you
- Preventative and Sustainable
- Efficient and Modern
- Innovative and Ambitious
- None of the above

A.4 Delivering Best Value

The report does not directly impact on Delivering Best Value.

A.5 Involving Communities and Other Stakeholders

Recognising that the changes made principally reflect the Scheme of Administration and current Leadership Structure no consultation has been undertaken.

A.6 Impact on Performance and Outcomes

Effective financial governance in turn supports the effective delivery of services and the achievement of the key outcomes as set out in the Single Midlothian Plan.

A.7 Adopting a Preventative Approach

Maintaining the effectiveness of the financial governance framework will support the delivery of preventive interventions.

A.8 Supporting Sustainable Development

There are no direct sustainability issues arising from this report.

Appendix 1 – Progress on Financial Directives

No	Financial Directive	Progress
1	Financial Reporting	Updated – requires further review
2	Capital Strategy, Plans & Expenditure	Rewrite of existing and further revision to details
3	Corporate and Financial Planning	Updated
4	Additional Resources	Need revised wording re new burdens – spending review and propose to merge with FD25.
5	Control of Revenue Expenditure	Requires further review
6	Final Accounts	Requires further review
7	Banking Arrangements, Petty Cash and Imprest Accounts	Updated – To further review arrangements for issue of manual cheques and other debit instructions drawn on the General Fund Bank Account need to be signed by two authorised signatories
8	Treasury Management	Updated to reflect 2021 Treasury Management & Prudential code references
9	Charitable Funds	Requires further review and consider merger with FD 10
10	Non Council Administered Funds	Requires further review and consider merger with FD 9
11	Tax Management	Updated
12	Income	Requires further review
13	Payroll, Travel and Subsistence	Requires further review
14	Procurement of Goods, Works and Services	Updated links need to be inserted for procurement section of intranet
15	Payment of Accounts and Ad Hoc Payments	Payment guidelines to be updated
16	Partnerships	Requires further review – consider merger with FD 26
17	Financial Control of Contracts	Requires further review
18	Audit	Requires further review and consider merger with FD 19
19	Risk Management and Assurance	Requires further review and consider merger with FD 18
20	Insurance	Updated – link to insurance to be further updated
21	Physical Assets	Requires further review
22	Internal Control and Authorisation	Requires further review
23	Retention of Financial	Requires further review

	Documents	
24	Statutory Trading Accounts	Requires further review
25	External Funding Bids	Consider merger with FD 4
26	Following the Public Pound	Consider merger with FD 16
27	Counter Fraud and Corruption	Requires further review