



Midlothian Council

Financial Regulations
28 June 2022

MIDLOTHIAN COUNCIL
FINANCIAL REGULATIONS
INDEX

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1. SCOPE and OBSERVANCE

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- 1.1 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. These Financial Regulations detail the responsibilities of the Chief Officer Corporate Solutions who has been appointed as the “proper officer” along with the responsibilities of the Chief Executive, Executive Directors, Chief Officers, and other Relevant Officers. These Financial Regulations also detail the responsibilities of the Council, Cabinet and other committees in relation to the conduct of the Council’s financial affairs.
- 1.2 Executive Directors and Chief Officers will ensure that all relevant employees are aware of these Regulations and that they are fully complied with. The Chief Officer Corporate Solutions and the Chief Internal Auditor will monitor and report on compliance.
- 1.3 All actions affecting the Council’s finances should only be conducted by properly authorised employees. Chief Officers will establish a clear and effective framework of authorisation for their Services, complying with, and using the Council’s electronic authorised signatories’ system.
- 1.4 Responsible Officers will ensure that only expenditure within the legal powers of the Council is incurred. Where this is not clear, the Responsible Officers will consult the Chief Officer Corporate Solutions prior to incurring such expenditure. Similarly, the legality of expenditure relating to new service developments, initial contributions to other organisations and responses to new emergency situations will also be clarified prior to any related expenditure being incurred.
- 1.5 Any potential non-compliance with, or contravention of these Regulations, will be reported immediately to the Chief Officer Corporate Solutions who may raise the matter with the Chief Executive, the Legal & Governance Manager as Monitoring Officer, and/or any other Relevant Officer as appropriate, to determine any action to be taken.
- 1.6 Executive Directors and Chief Officers, and other Relevant Officers will ensure that all spending within Capital and Revenue Estimates conforms to proper accounting standards and will seek clarification of the proper classification if required, from the Chief Officer Corporate Solutions.
- 1.7 The Financial Regulations will be applied and interpreted in a manner which takes account of the obligations contained within the Council’s Standing Orders relating to Contracts.
- 1.8 The Guidelines for Making Payments, available on the Intranet, shall be complied with in full.

2. FRAMEWORK FOR FINANCIAL ADMINISTRATION

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- 2.1. The Financial Regulations detail the responsibilities of Elected Members, The Chief Executive, Executive Directors and Chief Officers within the context of the Council's political management framework. The Financial Regulations may only be amended by the Council.
- 2.2 The Chief Officer Corporate Solutions as the 'proper officer' for the proper administration of the Council's financial affairs will oversee the operation of the Financial Regulations within the Council and will provide to the Chief Executive, and Responsible Officers a written framework which governs the Council's financial affairs. The framework will consist of:

Financial Directives: These directives will cover all relevant aspects of financial administration and the Chief Officer Corporate Solutions will have the delegated authority to alter the Financial Directives except for any matters which are covered by the Financial Regulations where Council approval will be required. Changes to the Financial Directives will be reported to Audit Committee for their endorsement.

Financial Guidance Notes: These guidance notes will provide employees with detailed guidance and advice on specific procedures to be followed and any such guidance notes issued will require the prior approval of the Chief Officer Corporate Solutions.

All Financial Guidance notes are available on the Intranet in the Finance mini-site and are highlighted in this document as 'Finance→FAQ's.....' etc.

Based on the Guidance, Responsible Officers are expected to produce procedure notes for every business critical system/process.

To assist them in this process, reference should be made to Internal Audit's internal control guide (Finance→FAQ's→Internal Audit etc.)

- 2.3 All Financial Directives and guidance notes issued in terms of these Financial Regulations are issued with the same status and authority as if they were contained within these Financial Regulations.

3. COUNCIL/CABINET RESPONSIBILITIES

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3.1 The Council, Cabinet, and Committees will continuously strive to secure best value and economy, efficiency, and effectiveness in their use of resources.

3.2 The Council will be responsible for overseeing the Council's financial and budgetary arrangements.

3.3 The Chief Officer Corporate Solutions in consultation with the Chief Executive, Executive Directors and Chief Officers as appropriate will advise Council and all other Committees on the financial implications of the Council's activities.

3.4 The responsibilities of the Council, Cabinet and other Committees in relation to the conduct of the Council's financial affairs is defined in the Councils Standing Orders and Scheme of Delegation. In summary they are as follows:

3.5 Council

- The Council, on recommendations of Business Transformation Steering Group will approve all Revenue and Capital Budgets.
- The Council will consider and determine annually the council tax and council house rent levels to apply in any year.
- The Council will consider and approve any alterations to the Financial Regulations. The Council will approve the framework for the transfer of resources across budget headings.
- The Council will consider and approve requests for supplementary estimates.
- The Council will monitor the overall financial performance of the Council's services in relation to the approved Capital and Revenue Budgets.
- The Chief Officer, Corporate Solutions will provide to the Council with regular budget monitoring reports along with explanations for any significant variances from budget and the remedial action planned.
- The Council will consider and approve a Treasury Management Policy Statement and any amendments thereto and will consider reports on the Council's treasury management activities.

3.6 Cabinet

- The Cabinet develops and implements operational policy within the Council's approved budget and strategic policy framework.

3.7 Performance Review and Scrutiny Committee

- The Committee will have an overview of the Council's performance and make recommendations as appropriate to Cabinet.
- The Committee will consider any aspect of Council's performance and the policy implications arising from this and make recommendations to the Cabinet in relation to any performance-related issues, which it feels appropriate to raise.
- The Committee will liaise with and assist the Cabinet to achieve performance targets contained in policies approved by the Cabinet.

- The Committee will highlight particular areas of performance where it wishes further information or explanations from the Cabinet or other Council bodies.

3.8 **General Purposes Committee**

- The Committee will be responsible for administering Trusts and Charitable Funds on behalf of the Council, except those relating solely to Education or Social Work.
- The Committee will be responsible for the administration of specific Trust Funds arising from opencast coal sites.

3.9 **Audit Committee**

- The Committee will endorse the Strategic Internal Audit Plan, covering three years, and the annual Internal Audit Plan, and receive regular reports on these in accordance with the Internal Audit Reporting Calendar.
- The Committee will receive and review reports on audit activity and results of reviews.
- The Committee will promote sound corporate governance, management of risk, and a robust internal control environment.
- The Committee will consider reports by the Council's External Auditors, including reports on the audited Annual Accounts.
- The Committee will consider Treasury Management strategy reports in advance of them being presented to Council.
- The Committee will consider draft unaudited and audited Financial Statements.

4. CORPORATE GOVERNANCE

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- 4.1 The public sector has adopted Corporate Governance principles which, in the context of a Local Authority, are about how it conducts its business and relates to its community. Corporate Governance is about openness, integrity and accountability.

The six principles of Corporate Governance are:

- Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the area.
- Members and Officers working together to achieve a common purpose with clearly defined functions and roles.
- Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.
- Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.
- Developing the capacity and capability of Members and Officers to be effective.
- Engaging with local people and other stakeholders to ensure robust public accountability.

- 4.2 The Council is expected to demonstrate that its local Code of Corporate Governance is available to be viewed by all stakeholders, partners and members of the public. Audit Scotland expects the Council to have robust Corporate Governance procedures in place.

- 4.3 The Local Code of Corporate Governance is approved by Cabinet and scrutinised by the Audit Committee. The Cabinet receives an annual report on compliance with the Code and whenever the Code requires to be updated.

- 4.4 The annual report coincides with the publication of the Annual Accounts and Performance Information, which will include an Assurance Statement, signed by the Chief Executive and Leader of the Council.

- 4.5 The local code determines how the Council directs and controls its functions and relates to its community, and is accessible to all. The code can be viewed on the Council's website and on the Intranet under Finance FAQs & Guidance Internal Audit & Audit Committee

- 4.6 The basis of the Assurance Statement will be an overview and opinion on the Council's arrangements contained in the approved Local Code.

5. DELEGATED AUTHORITY

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- 5.1 The Council's Scheme of Delegation allows situations where the Chief Executive, Executive Directors and Chief Officers can advance matters, within reason, without the approval of Elected Members. Decisions taken are within the policies and Standing Orders of the Council and relate to operational, functional and managerial matters concerning the relevant officer's service. This Financial Regulations also deals with delegated authority in the normal course of business below Chief Officer level.
- 5.2 Where delegated decision making is appropriate, the Chief Executive, Executive Directors, Chief Officers, and other officers will act in accordance with the 'Scheme of Delegation'.
- 5.3 Where obligated by law or specific requirements of these Financial Regulations and Directives, the Chief Executive, Executive Directors, and Chief Officers must not delegate authority to other Officers of the Authority.
- 5.4 Where Council business can be delegated to other Relevant Officers of the Authority, Executive Directors and Chief Officers must ensure that:
- a) Delegation is in the interests of the service.
 - b) Proper reporting/accountability processes are in place.
 - c) Relevant Officers are fully briefed/debriefed.
- 5.5 The Internal Audit function will monitor whether any delegation breaches the general principles of internal check and separation of duties.
- 5.6 Executive Directors and Chief Officers will keep a record of delegated authority within their Service Area and ensure that this record is kept up to date and monitored annually.

6. REVIEW OF FINANCIAL REGULATIONS

- 6.1 These Financial Regulations may be varied or revoked by the Council and any variation or revocation will be effective from the first working day after the conclusion of the Council meeting at which it was approved.

7. LEGAL INTERPRETATION

- 7.1 Any matters requiring legal interpretation will be referred to the Legal & Governance Manager.

<p>Contact: If there are any difficulties with the interpretation of these Financial Regulations or if you wish to discuss any other issue, please contact the Chief Officer Corporate Solutions.</p>
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