

LOTHIAN VALUATION JOINT BOARD

FINANCIAL REGULATIONS

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Financial Regulations

These financial regulations of the Lothian Valuation Joint Board (“**Board**”) apply from 15 June 2021 and set out the arrangements for the proper administration of the financial affairs of the Board.

1. Status and Statutory Responsibility

- 1.1 These regulations are made under section 95 of the Local Government (Scotland) Act 1973 (the “1973 Act”) as applied to the Board by Section 106 of the 1973 Act.
- 1.2 Section 95 of the 1973 Act states that every local authority shall make arrangements for the proper administration of its financial affairs and shall secure that the proper officer of the authority (termed the Section 95 Officer) has responsibility for the administration of those affairs.
- 1.3 The Local Authority Accounts (Scotland) Regulations 2014 (the “Regulations”) specify that the system of accounting and control and the form of the accounts and supporting records are to be determined by the Section 95 Officer and that s/he is to ensure that accounting controls are observed and the accounts and supporting records are kept up to date. S/he is also responsible for publishing the Annual Accounts of the Board and for making the arrangements for the statutory audit required by section 96 of the 1973 Act.
- 1.4 The Board has designated the Treasurer as the Section 95 Officer and therefore as the officer responsible for the administration of the Board’s financial affairs in terms of section 95 of the 1973 Act.
- 1.5 The Treasurer serves as the Section 95 Officer for all of the Board’s accounting arrangements.
- 1.6 A more detailed set of Finance Rules, which prescribe the procedures to be followed, has also been prepared. While these Rules and other relevant procedures and policies are not contained within these Financial Regulations, they are issued under their authority and have the same status as if they were included in the body of these regulations.
- 1.7 The Treasurer will establish a programme of review for all relevant documents. Chief Officers of the Board may also seek the issue, amendment, clarification or supplementing of the regulations, finance rules or associated procedures and policies for any areas of responsibility not previously addressed.
- 1.8 Any breach or non-compliance with these regulations or the associated finance rules, procedures or policies issued under their authority must be reported immediately to the Treasurer, who may consult others as s/he sees fit to determine the proper action.

2. Application

- 2.1 The Board is responsible for ensuring that its business is conducted in accordance with the law and appropriate standards and that public money is safeguarded, properly accounted for and used economically, efficiently, effectively, equitably and ethically. The Board's activities are furthermore guided by a set of underlying principles and responsibilities fostering openness, integrity and accountability.
- 2.2 In discharging these responsibilities, Board members and officers are responsible for implementing effective arrangements for governing the Board's affairs and facilitating the effective exercising of its functions including arrangements for managing risk.
- 2.3 As a consequence of these responsibilities, the Board must regulate the actions taken on its behalf that carry financial implications to provide assurance of their propriety and consistency. It is furthermore a requirement of these regulations that all financial transactions are within the legal powers of the Board. These Financial Regulations thus form a key element of the maintenance of a robust, clear and accountable governance framework for the Board.

3. Responsibilities and Observance

3.1 Treasurer

- 3.1.1 The Board's Scheme of Delegation to Officers sets out the powers delegated to officers pursuant to the 1973 Act . As noted in paragraph 1.4, the Treasurer has been designated the Board's Section 95 Officer responsible for the administration of the Board's financial affairs.
- 3.1.2 The Treasurer, as proper officer, under section 95 of the Act, is responsible for advising the Board on all financial matters and for monitoring and reporting on its financial performance and position.

3.2 Assessor

- 3.2.1 The Assessor has a duty to discharge all statutory functions and obligations of the organisation and is responsible for establishing sound arrangements for planning, appraising, authorising and controlling the service in order to achieve continuous improvement, economy, efficiency and effectiveness and associated financial targets, in so doing having due regard to sustainability and equalities considerations.
- 3.2.2 The Assessor is fully accountable for the financial performance of the service against the budget allocated. The Assessor may incur revenue

expenditure in furtherance of agreed Board policies only to the extent that budgetary provision has been made.

3.2.3 As part of ensuring the overall sustainability of the Board's financial planning and management arrangements, the Assessor also has a responsibility to review the budget on an on-going basis. This includes the active monitoring and management of service pressures, delivery of approved savings and application of approved service investment, particularly in cases where this investment is targeted towards delivery of longer-term savings. The Treasurer may request that the Assessor report to the Board during the year on measures being taken to ensure expenditure is contained within approved levels.

3.2.4 The Assessor is charged with the implementation of the risk management strategy for the Board and for ensuring its effectiveness and review.

3.2.5 Paragraph 3.4 of the Scheme of Delegation provides that:

In the event that the Chief Executive and Clerk or Assessor and Electoral Registration Officer is unavailable, his/her nominated deputising officer will have delegated authority to take urgent decisions in the absence of the Chief Executive and Clerk or Assessor and Electoral Registration Officer as appropriate.

3.2.6 With the exception of urgent decisions, which must be taken in accordance with the Scheme of Delegation, authority to discharge financially-related responsibilities must be delegated formally in writing. This requirement applies to delegations of authority for financial matters by all levels of management.

3.3 Internal Audit and Risk Management

3.3.1 The Treasurer will arrange for the provision of a continuous internal audit function, overseen by a suitably-qualified and experienced individual, to review the accounting, financial and other operations of the Board. The Treasurer will also oversee the development and implementation of an appropriate risk management strategy.

3.3.2 It is the Treasurer's responsibility to put in place appropriate arrangements to provide the Board with an annual assurance statement on compliance with Financial Regulations and the Code of Corporate Governance.

3.3.3 The Assessor and officers of the Board shall make available for inspection by internal auditors such cash, vouchers, documents, correspondence or other items as shall be deemed necessary by the Treasurer. The Treasurer will ensure that arrangements for the carrying out of the Statutory Audit, in terms of Section 96 of the 1973 Act, are in order.

3.4 Board Members

- 3.4.1 Board members' responsibilities with regard to financial matters reflect a number of facets, including:
- (a) Setting the Board's financial strategy, including budget-setting;
 - (b) Setting the Board's strategic direction and overseeing arrangements for the securing (and demonstration) of best value;
 - (c) Ensuring proper control is exercised over the Board's expenditure through scrutiny of periodic financial reports comparing expenditure with the level of budgetary provision;
 - (d) Holding senior officers to account with regard to discharging all relevant financial responsibilities within their control; and
 - (e) Encouraging the development of service targets/performance measurements of a financial/non-financial nature to monitor service achievements.

3.5 External Audit

- 3.5.1 The external audit of the Board seeks to assess the extent to which the stewardship of its financial affairs is subject to a regime of accountability where monies are properly accounted for, safeguarded and used economically, efficiently and effectively.
- 3.5.2 The scope of this audit is wider than that of the private sector equivalent, encompassing coverage of the annual accounts, regularity, propriety and best value and also includes financial sustainability, financial management, governance and transparency and value for money.

4. Principles and Key Areas of the Control Framework

4.1 Financial Management

- 4.1.1 The Treasurer will provide the Board with regular monitoring reports, including reports on the final outturn, together with any recommendations.

4.2 Financial Control

- 4.2.1 As noted at 1.3, the Regulations require that the system of accounting and control, and the form of the accounts and supporting records, should be defined by the Treasurer, who will ensure that the system is adhered to and that the accounts and supporting records are kept up to date.

- 4.2.2 The Regulations also require the Treasurer to submit the Annual Accounts to the Board by the prescribed dates. The Treasurer is responsible for ensuring that the accounts are produced in compliance with existing legal and accounting requirements.
- 4.2.3 The Assessor is required to provide all relevant information to the Treasurer in accordance with the instructions issued annually.
- 4.2.4 As the officer who is statutorily responsible for all financial matters the Treasurer will implement procedural controls to ensure that:
- (a) All expenditure is a valid charge;
 - (b) Income owed is collected;
 - (c) Assets are protected;
 - (d) Liabilities are accounted for;
 - (e) Financial reports are prepared.

4.3 Accounting Arrangements

- 4.3.1 The following will be carried out according to procedures and instructions issued by the Treasurer:
- (a) Preparation of the Annual Accounts;
 - (b) Production of financial information concerning the Board's strategic plans, including estimated revenue and capital expenditure.
- 4.3.2 All financial records, systems and any changes thereto are subject to the written approval of the Treasurer.
- 4.3.3 The following principles must be observed in the allocation of accounting duties:
- (a) The duties of providing information regarding sums owed to or by the Board, and calculating, checking and recording these sums must be separated as completely as possible from the duty of collecting or disbursing them;
 - (b) Officers responsible for examining and directing accounts of cash transactions cannot be engaged in any of these transactions;
 - (c) All checking and authorisation undertaken by officers must be evidenced by initials or signature, whichever is appropriate;
 - (d) All claims, returns or written submissions relating to grants and

financial data must be submitted to the Treasurer for approval prior to entering into any contracts under delegated authority;

- (e) Financial records, including contract documents for work done, services and supplies, may only be disposed of in accordance with arrangements approved by the Treasurer.

4.4 Revenue Budgets

4.4.1 The Assessor is required to prepare revenue estimates in accordance with guidance issued by the Treasurer. Such estimates will be supported by equality and rights impact assessment, where relevant. The Treasurer will assist the Board prepare financial information for inclusion in the revenue estimates. An equality and diversity specialist will assist, as necessary, to prepare equality and rights impact assessments. When the revenue estimates have been approved by Board, they become the “Revenue Budget”.

4.4.2 After considering the revenue estimates report and any recommendations, the Board shall approve the allocation of resources for the following financial year at a meeting before 16th February each year.

4.4.3 The Treasurer will determine what constitutes revenue expenditure and the relevant accounts in which transactions should be recorded.

4.5 Capital Budgets

4.5.1 The Assessor is required to prepare capital estimates in accordance with guidance issued by the Treasurer. When the capital estimates have been approved by the Board, they become the “Capital Investment Programme”.

4.5.2 The Treasurer will determine what constitutes capital expenditure and the relevant accounts in which transactions must be recorded.

4.6 Reporting Requirements

4.6.1 All Board reports are required to include a statement of the financial consequences of the proposals for current and future years. The range of relevant considerations will vary from report to report.

4.6.2 In the event that reports do not meet the above requirement, or insufficient time is allowed for them to be properly considered, the Treasurer may request that the report is withdrawn from the Board agenda.

4.6.3 The Treasurer in conjunction with the Assessor is required to submit detailed monitoring reports at quarterly intervals normally at months 3, 6 and 9 and an outturn report at month 12 to the Board. These reports will compare actual expenditure to date with the budget

position, project the expenditure outturn for revenue and capital expenditure, and report key service issues including – where relevant – the equality and rights impact of any changes. The Treasurer will specify the format of such monitoring reports.

4.6.4 The Treasurer may give such recommendations to the Assessor as to measures to be taken in relation to the revenue budget or the capital investment programme during the remainder of the financial year as may be necessary or advisable in the circumstances prevailing.

4.6.5 The Treasurer may make recommendations to the Board as may be necessary or advisable in the circumstances prevailing.

4.7. Spending, Supplementary Estimates and Transferring Funds

4.7.1 The Board is not permitted to allow spending, whether revenue or capital, to exceed budget.

4.7.2 The Assessor, in consultation with the Treasurer, may submit a request for expenditure of an emergency nature. In such circumstances, the expenditure concerned may be incurred on the authorisation of the Treasurer, in consultation with the Convener of the Board. The Assessor shall arrange for the matter to be reported to the Board.

4.7.3 Neither the Board nor any official may incur any expenditure unless:

(a) It is a revenue expense which has been approved as part of the revenue budget under 4.4.2 of these Financial Regulations; or

(b) It is a capital expense which has been approved as part of the Capital Investment Programme under 4.5.1 of these Financial Regulations.

(c) The expense has been authorised under paragraph 4.7.4 to 4.7.9 of the Financial Regulations.

4.7.4 The Assessor may transfer money within the revenue budget to either existing or new services, but:

(a) If this will change approved Board policy, a report must be submitted to the Board for approval before the transfer can be actioned;

(b) If the transfer will affect future years' revenue budgets, a report detailing the effect on future budgets must be submitted to the Board for approval before the transfer can be actioned.

4.7.5 The Assessor may transfer money within the Capital Investment Programme to either new or existing projects as may be necessary

or advisable in the circumstances prevailing, but:

- (a) If this will change approved Board policy, a report must be submitted to the Board for approval before the transfer can be actioned;
- (b) If the transfer will affect future years' capital or revenue budgets, a report detailing the effect on future budgets must be submitted to the Board for approval before the transfer can be actioned;
- (c) Where capital grant is provided for a specific project, no transfer to alternative projects is permitted without the consent of the Scottish Government or other external grant provider.

In the case of revenue and capital transfers, any equality and rights impacts of the proposed changes must also be considered.

- 4.7.6 The Treasurer may, from time to time, issue detailed instructions on the transfer of monies within and / or between revenue budgets.
- 4.7.7 If the Assessor:
 - (a) Proposes to incur revenue or capital spending that is not included in the revenue budget or capital investment programme approved by the Board or to reduce income provided in that way; and
 - (b) Does not propose to pay for the spending by reallocating existing funding, the Board must seek a supplementary estimate.
- 4.7.8 The Assessor must report to the Treasurer with an assessment of the financial spending consequences for the current and future years and, where relevant, the equality and rights impact of the changes. In the case of revenue expenditure, this appraisal should include identification of the budget head(s) to be reduced in future years. If the Treasurer agrees, he/she will submit a recommendation to the Board.
- 4.7.9 The Treasurer must agree before a proposal for transfer or supplementary estimate is reported to the Board.
- 4.7.10 The Assessor, in consultation with the Convener of the Board, may submit a request for expenditure of an emergency nature. In such circumstances, the expenditure concerned may be incurred on the authorisation of the Treasurer. The Assessor shall arrange for the matter to be reported to the next meeting of the Board.
- 4.7.11 Other than contractual liabilities, the Assessor is not permitted to incur revenue expenditure until the relevant financial year has commenced.

4.8 Final Accounts

4.8.1 The Assessor is required to provide all relevant information to the Treasurer in accordance with the instructions issued annually by the Treasurer.

4.8.2 The Treasurer will report the Board's final expenditure outturn.

4.9 Internal Audit

4.9.1 The Treasurer will make appropriate arrangements to review, appraise and report on:

(a) The adequacy of internal control as an indication of probity and contribution to the economic, efficient and effective use of resources;

(b) Compliance with approved policies, plans and procedures, including those with a significant impact on or strong relevance to equality and rights;

(c) The extent to which assets are accounted for and safeguarded from losses arising from theft, fraud, waste, inefficient administration and poor value for money;

(d) The suitability and reliability of management data;

(e) Officers effectiveness in achieving value for money.

4.9.2 With the exception of data held pertaining to the statutory functions of Local Taxation and Electoral Registration, the Treasurer has authority, subject to necessary, prior consultations, to:

(a) enter Board premises or land at any reasonable time and have access to all records, documents and correspondence relating to financial or other matters. This access extends to Officers referenced in the Board's Scheme of Delegation and any officers to whom delegated powers have been sub-delegated in terms of the Board's Scheme of Delegation;

(b) require and receive such explanations as are necessary concerning any matter under examination;

(c) require Board employees to produce cash, stores or other Board property under their control.

4.9.3 If Board members or officers discover any fraud or irregularity that affects the Board, they must immediately inform the Treasurer who will arrange for an investigation to be conducted if appropriate.

4.10 Risk Management

- 4.10.1 The Treasurer is responsible for preparing the financial risk management strategy.
- 4.10.2 The Treasurer is responsible for establishing effective internal controls to mitigate risk and documenting these controls and their application formally. In accordance with the risk management strategy, all officers have a role in the identification of financial risks as they affect the Board.

4.11 Internal Control

- 4.11.1 Proposals of material change to internal control must be discussed with and formally authorised in writing by the Treasurer.

4.12 Income

- 4.12.1 The Treasurer must be notified promptly of all money due and of contracts, leases, agreements or other arrangements, that involve payments to the Board.
- 4.12.2 The Treasurer will ensure the prompt rendering of accounts in connection with work done, goods supplied or services rendered and will furnish the Assessor with the information required to identify income due. The Treasurer will approve the manner in which accounts for income receivable must be prepared.

4.13 Receipt of Income

- 4.13.1 All money received must be paid without delay to the Board's bank.
- 4.13.2 Where invoices have not been issued for sums owed to the Board, alternative arrangements for collection are subject to the Treasurer's written approval.
- 4.13.3 The Treasurer will specify in writing procedures for recording income, lodging income with the bank, resolving banking discrepancies, security and insurance, cash transfers, personal cheques and the supply of receipts and tickets for use by service areas.
- 4.13.4 The Treasurer will have the authority having exhausted recognised means of debt collection, to authorise the writing off of bad debts up to a maximum of £1,000, in any case and for any sum where the debtor:
 - (a) is a company in liquidation (subject to an appropriate claim against the liquidator having been lodged); or
 - (b) is untraceable.

- (c) Subject in the case of (a) above to an appropriate claim against the liquidator having been lodged. The Treasurer will report all other irrecoverable debts to the Board for the authority to write-off.

4.14 Salaries and Wages

- 4.14.1 Employees may be appointed only in accordance with the procedures approved by the Board, the establishment, grades and rates of pay. Appropriate equality monitoring and internal audit arrangements will be put in place to ensure compliance.
- 4.14.2 Salaries and wages must be processed in accordance with procedures and instructions issued by the Treasurer from time to time.
- 4.14.3 The payment of salaries, wages, compensations and other emoluments to employees or pension entitlements to former employees will be made by the Treasurer, who is also responsible for transmitting pension contributions to the Lothian Pension Fund and the Scottish Public Pensions Agency and tax and National Insurance contributions to HM Revenue and Customs.
- 4.14.4 The Assessor must provide the Treasurer with the information required to complete Board and statutory returns.

4.15 Allowances and Loan Schemes

- 4.15.1 The Treasurer is responsible for paying allowances, reimbursing expenses and administering loan schemes in accordance with procedures specified by the Treasurer and the relevant statutory provisions.
- 4.15.2 The Assessor may award ex gratia payments in circumstances agreed with the Treasurer.
- 4.15.3 The Assessor is required to ensure that:
 - (a) Claims and applications are submitted in accordance with conditions of service, Board policies and statutory provisions, together with relevant supporting information such as receipts;
 - (b) Claims and applications are submitted on the appropriate form and certified by an authorised officer;
 - (c) Officers authorised to sign claims and application forms on their behalf are notified to the Treasurer;
 - (d) Information required to complete Board and statutory returns is

provided to the Treasurer.

- 4.15.4 The Treasurer is responsible for administering the Scheme of Members' Allowances in accordance with relevant statutory provisions and the payment of expenses.

4.16 Insurance

4.16.1 The Treasurer will:

- (a) Prepare and maintain an insurance strategy to provide cost-effective cover;
- (b) Negotiate claims with insurers, in consultation with relevant officers;

4.16.2 The Assessor must notify the Treasurer promptly of all new risks, properties, vehicles, plant, equipment, etc. that require to be insured, in addition to any alterations and changes in activities and procedures that may affect existing insurance arrangements.

4.16.3 The Assessor must notify the Treasurer of all major capital and revenue projects at an early stage if insurance cover or specialised insurance advice is required.

4.16.4 The Assessor must notify the Treasurer in writing of any loss, liability, damage or other event likely to lead to a claim immediately they become aware of it and should inform the police where appropriate.

4.16.5 The Board should not:

- (a) Make any admission of liability;
- (b) Take any action which may be construed as an admission of liability;
- (c) Waive any rights of recovery.

4.16.6 The Assessor must consult the Treasurer regarding the terms of any indemnity which the Board is requested to provide.

4.16.7 The Board must take due account of recommendations made by the Board's insurers.

4.18 Imprest Accounts

4.18.1 Where appropriate, the Treasurer will provide cash advances to officers to defray petty cash and other expenses. Such advances will be accounted for using the imprest system. The Assessor, in

consultation with the Treasurer will determine the conditions relating to such advances.

4.19 Custody and Security of Assets

- 4.19.1 The Assessor is responsible for maintaining appropriate security at all times for buildings, stores, furniture, equipment and cash.
- 4.19.2 Board property may not be removed, other than for Board purposes, unless specific instructions have been issued by the Assessor.
- 4.19.3 The Assessor is responsible for the care, custody and stocktaking of all stocks under their control and must act in accordance with guidelines issued by the Treasurer.
- 4.19.4 The Assessor must agree maximum limits for cash holdings with the Treasurer for insurance purposes. These may not be exceeded without the permission of the Treasurer.

4.20 Gifts, Hospitality and Conduct

- 4.20.1 A register of items gifted or bequeathed to the Board will be maintained by the Assessor.
- 4.20.2 Elected members and officials must comply with the Local Government (Scotland) Act 1973 Section 68 and all relevant codes of conduct for local government personnel.

4.21 Banking Arrangements

- 4.21.1 The Treasurer will make arrangements for opening and operating bank accounts and using banking services. The Treasurer is responsible for negotiating banking terms. No new bank accounts should be opened without the authorisation of the Treasurer. Personal bank accounts must never be used in respect of Board transactions or funding.
- 4.21.2 All cheque forms, excluding those required for authorised imprest accounts may be printed only with the authority of the Treasurer, who will make arrangements for their safe custody.
- 4.21.3 Cheques drawn on the main bank accounts must bear the facsimile signature of the Treasurer (or other nominated officer) or be signed by the Treasurer or other officer who holds an authorised post designated by him/her.
- 4.21.4 The Treasurer will make appropriate arrangements, including determination of agreed authorisation limits, for the signature of other financial documents on behalf of the Board.

4.22 Treasury Management

- 4.22.1 The Treasurer is responsible for preparing and maintaining the Board's Treasury Management Strategy. Treasury Management activities must be carried out in accordance with the approved Strategy. Amendments must be considered and approved by the Board.
- 4.22.2 An annual Treasury Management Strategy must be prepared. The Treasurer will prepare reports to propose the following year's Treasury Management Strategy and report on the previous year's management performance. These documents will be subject to approval by the Board. The performance report will be submitted as soon as possible after the end of the financial year.
- 4.22.3 All treasury-related decisions are delegated to the Treasurer, who must act in accordance with the Code and Policy Statement.
- 4.22.4 All money in the Board's custody will be aggregated for treasury management purposes and controlled by the Treasurer.
- 4.22.5 Where the acquisition or creation of an asset by leasing is proposed, the financial implications of the leasing agreement must be approved by the Treasurer.

4.23 Investments

- 4.23.1 The Treasurer may undertake any action that may reasonably be deemed permissible investment business but must seek appropriate advice where necessary.
- 4.23.2 The Treasurer is responsible for the safe custody of share certificates or other documents relating to the investment of the Board.
- 4.23.3 The Treasurer is designated in terms of the 1973 Act as "proper officer" for the purposes of Section 193 (authentication of documents) and 194 (execution of Deeds and use of Seal) as regards signing and sealing (where necessary) of:
- mortgages, bonds and other financial instruments; or
 - instruments effecting the transfer of any of them; or
 - instruments giving effect to the powers of investment or borrowing delegated to the Treasurer by Financial Regulations 14 and 15.
 - certificates and petitions to the Sheriff Court for summary warrant applications.

4.24 Property and Contracts

- 4.24.1 The financial aspects of property administration and contracts will be undertaken by procedures approved by the Treasurer.

The Assessor will be responsible for the daily administration of suitable arrangements, systems and procedures for property and contracts insofar as such procedures do not exist in Standing Orders.

4.25 Property Register

- 4.25.1 The Assessor will maintain an up-to-date register (Property Terrier) of all land and heritable property owned by or leased by the Board whether in its own right or in trust and will ensure that all such property is readily identifiable at any time.

4.26 Payment of Accounts

- 4.26.1 Arrangements for processing payments must comply with procedures established by the Treasurer, a summary of which is included in the Finance Rules.

4.27 Procurement/Purchasing

- 4.27.1 Arrangements for procurement/purchasing, including the use of purchasing cards, must comply with procedures established by the Treasurer.
- 4.27.2 The Assessor is responsible for ensuring that purchasing activity carried out on the Board's behalf is undertaken in accordance with the guidance and associated equality requirements.

4.28 Value Added Tax

- 4.28.1 The Treasurer is responsible for identifying and accounting for input and output tax. Queries and specific problems should be referred to the Treasurer, who is responsible for issuing guidance on the application of VAT rules.

4.29 Other Significant Documents

- 4.29.1 Financial Regulations should be read in conjunction with the constitutional documents of the Board including without limitation:
- Procedural Standing Orders;
 - Scheme of Delegation to Officers;
 - Finance Rules;
 - Contracts Standing Orders.