

Title of report	Review of SSSC Financial Governance Framework
Public/confidential	Public
Action	For information and decision
Summary/purpose of report	The Resources Committee approved amendments to the Financial Regulations at its meeting in December 2017. This report seeks approval for further amendments to the Financial Regulations in the light of the continued work on the review of the SSSC's financial governance framework.
Recommendations	<p>That the Resources Committee:</p> <ol style="list-style-type: none"> 1. reviews and agrees the amendments to the Draft Financial Regulations (Appendix B), (highlighted) which were made since Resources Committee on 6 December 2017; 2. agrees the Draft Financial Regulations for submission to Council for approval (Appendix C); 3. notes that the existing Financial Regulations (Appendix A) will remain in force until the Council considers the Revised Draft Financial Regulations (Appendix C) on 27 March 2018; 4. notes the suggested changes to the Scheme of Delegation (Appendix C) which will be presented for approval by council on 27 March 2018; 5. agrees the amendments to Grants and Third Party Funding arrangements as set out in paragraph 2.3 of this report; 6. agrees EMT approval of £2,000 Sponsorship (paragraph 2.6 and Appendix B section 19.3); 7. agrees the revisions to the Registration Fee Income and Debt Management Policy (Appendix G) and Debt Management Policy (Appendix I) as detailed in section 2.10 of this report; 8. agrees the change to the Travel and Subsistence Policy to include witness expenses, detailed in section 2.12 of this report.

Link to Strategic Plan	The information in this report links to Strategic Outcome 4: Our stakeholders value our work and Strategic Priority 6: High standards of governance
Link to the Risk Register	<p>An effective governance framework supports mitigation of the following risks:</p> <p>Strategic Risk 6: The public or employers do not have or lose confidence in the SSSC.</p>
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Documents attached	<p>Appendix A: Financial Regulations (existing)</p> <p>Appendix B: Draft Revised Financial Regulations (tracked changes)</p> <p>Appendix C: Revised Financial Regulations (final)</p> <p>Appendix D: Scheme of Delegation (tracked changes)</p> <p>Appendix E: Third Party Funding Guidance (tracked changes)</p> <p>Appendix E1: Third Party Funding Approval Proforma</p> <p>Appendix F: Draft Sponsorship Policy</p> <p>Appendix G: Registration Fee Income and Debt Management Policy (tracked changes)</p> <p>Appendix H: Registration Fee Income and Debt Management Policy (final)</p> <p>Debt Management Policy (tracked changes)</p> <p>Appendix I: changes)</p> <p>Appendix J: Debt Management Policy (final)</p>

1. INTRODUCTION

- 1.1 In line with the SSSC's Register of Policies the Financial Regulations are reviewed annually. The 2017 review has been delayed to allow a full review of the SSSC's financial governance framework. This work includes looking at revised procedures for third party grants, reviewing procedures for grants awarded to the SSSC as well as ensuring the Scheme of Delegation and Financial Regulations remain fit for purpose.
- 1.2 The Resources Committee is required to approve the Financial Regulations before they are reviewed and approved by the Council. **Appendix A** comprises the existing Financial Regulations; **Appendix B** comprises the draft revised Financial Regulations. Amendments agreed by this Committee in December 2017 are shown as tracked changes and further suggested amendments are highlighted within the document. **Appendix C** comprises the final version of the revised Financial Regulations.
- 1.3 **Scheme of Delegation**
The Scheme of Delegation has been amended to reflect the changes detailed in this report. (**Appendix D** tracked changes). They will require to be approved by Council on 27 March 2018.

2. AMENDMENTS TO FINANCIAL REGULATIONS

- 2.1 In December 2017 the Resources Committee agreed a number of changes to the Financial Regulations. These changes were made to ensure that the Financial Regulations comply with the Executive Framework, Scheme of Delegation and are consistent with other finance policies. In addition, the Committee agreed changes to the governance arrangements for grants awarded to the SSSC to delegate authority to the EMT to review and approve SSSC grant bids and agreed the introduction of a Grant Bid Approval Proforma.
- 2.2 The financial governance review work has continued since December and further suggested changes to the Financial Regulations are set out below.
- Grants and third party payments**
- 2.3 The governance arrangements for grants and third party payments have been reviewed. The suggested amendments to the Financial Regulations (**Appendix B** section 20) would afford the EMT the authority to review and approve grants and third party funding proposals after consideration of the following:
- The purpose and objectives of providing the funding
 - Risks to the SSSC
 - Funding amount, period and source
 - Links to the SSSC's strategic objectives
 - outcomes and monitoring arrangements and
 - draft funding agreements.
- 2.4 The Executive Framework requires the SSSC to obtain Sponsor approval in advance of awarding grants and third party payments and no change to this would be possible until the Executive Framework is reviewed.

- 2.5 The Financial Regulations require all grants and third party payments to be reported to Resources Committee within the regular financial monitoring reports. To support this process the **Third Party Funding Guidance (Appendix E)** has been updated and a **Third Party Funding Approval Proforma (Appendix E1)** has been developed to support budget holders through the approval process.

Sponsorship

- 2.6 A draft Sponsorship Policy (**Appendix F**) has been developed for consideration of sponsorship in accordance with the SSSC's strategic objectives. The maximum value of sponsorship is £2,000 and this will be subject to approval by the EMT. See Financial Regulations (**Appendix B** section 19).

Debt write off and losses

- 2.7 The Executive Framework includes delegated powers for the write off of cash due to theft, fraud, overpayment of salaries, wages, fees, allowances or other causes of up to £3,000. Financial Regulations and the Scheme of Delegation currently afford the Chief Executive this authority up to £2,500. Committee is asked to agree the Financial Regulations amendments (**Appendix B** section 15.2) to be consistent with the Scheme of Delegation (to be approved by Council in March 2018) to allow write off of cash losses of up to £3,000 and for this authority to be extended to the Director of Corporate Services. (The Chief Executive will also retain this authority as line manager).
- 2.8 The Scheme of Delegation and Financial Regulations afford the Chief Executive authority to write off losses of equipment and property up to £3,000. Resources Committee are asked to agree to extend this authority to the Director of Corporate Services in accordance with the amended Scheme of Delegation being presented for Council approval in March 2018. (**Appendix B** section 15.2).
- 2.9 The Executive Framework allows the write off of a maximum of £10,000 of accumulated irrecoverable debt for a legal entity. However the Scheme of Delegation contains a limit of £2,500 for the Chief Executive. Committee are requested to note the intention to request approval from Council to amend the Scheme of Delegation to afford the maximum write off limit of £10,000 for a legal entity and for this authority to also be extended to the Director of Corporate Services. (**Appendix D**).

Annual Review of Debt Management Policies

- 2.10 The SSSC's Registration Fee Income and Debt Management and Debt Management policies are reviewed in December each year. Both policies have been reviewed and both were found to be fit for purpose. The debt management policy has been amended to:
- include debt recovery for unused Voluntary Sector Development Funding;
 - amend write off limits to ensure consistency with those set out in section 2.7 and 2.9 of this report; and
 - update team and post titles.

The amendments are included at: Registration Fee Income and Debt Management (**Appendix G** tracked changes and **Appendix H** final) and Debt Management Policy (tracked changes **Appendix I** and final **Appendix J**).

Legal expenses

- 2.11 There are instances where the SSSC is required to pay legal expenses where we have had to concede litigations or the court requires us to make payments, perhaps to settle another parties' legal expenses. These are not compensation payments and so they are not explicitly covered by the Scheme of Delegation. However, the section on Court Actions delegates authority to the Senior Solicitor(s) to "initiate or lodge responses to court actions and agree settlements of court actions subject to authorisation". The Scheme of Delegation Annex 2 (**Appendix D**) "Delegated Authority to Commit and Approve purchasing and procurement expenditure" has been amended to remove "purchasing and procurement" and replace with "business expenditure" to cover all such possibilities. The Committee is asked to note this change will be presented to the Council in March 2018.

Witness expenses

- 2.12 We pay witness expenses to those we call to attend hearings. This is not covered explicitly in the Travel and Subsistence policy or Financial Regulations. An amendment to the SSSC Travel and Subsistence Policy is recommended to include "we pay reasonably incurred expenses of witnesses we call to attend FtP hearings in accordance with the SSSC's T&S Policy".

3. RESOURCE IMPLICATIONS

- 3.1 There are no financial or human resources implications arising directly from this report.

4. EQUAL OPPORTUNITIES

- 4.1 A robust governance framework exists to support the SSSC in being a well-run organisation and in turn supports the SSSC's commitment to equal opportunities and work towards equality and diversity.

5. LEGAL IMPLICATIONS

- 5.1 Financial Regulations are reviewed in accordance with good practice guidance issued by the Scottish Government and in line with requirements of the Scottish Government NDPB Executive Framework and the Council's Scheme of Delegation.

6. STAKEHOLDER ENGAGEMENT

- 6.1 There are no direct implications for stakeholder engagement, but the review of Financial Regulations is part of a robust financial management framework which is required to ensure that the service we provide to our stakeholders is as good as it can be.

7. IMPACT ON USERS AND CARERS

- 7.1 There are no implications for users and carers arising directly from this report.

8. CONCLUSION

- 8.1 The financial governance framework has been reviewed. Amendments to the Financial Regulations are being presented to Resources Committee in advance of related amendments to the Scheme of Delegation being presented to Council for approval. The current Financial Regulations will remain in force until then.