The Scottish Parliament
Pàrlamaid na h-Alba

STRATEGIC ENGAGEMENT:
OFFICEHOLDERS FINANCE MANUAL
Version III
COMMISSIONER FOR CHILDREN AND YOUNG PEOPLE IN SCOTLAND

November 2023

INDEX

Introduction

1. This Finance Manual updates the 2020 Financial Memorandum Manual. It has been updated in accordance with the consultation arrangements.

2. This document does not confer any legal powers or responsibilities but is a key part of the Commissioner for Children and Young People in Scotland's (the Commissioner) accountability and governance framework; it should be reviewed and updated as necessary.

3. While legislative provisions will take precedence over any part of this Manual, any question regarding the interpretation of the document will be determined by the SPCB after consultation with the Commissioner.

Relationship between the SPCB and the Commissioner

4. Effective strategic engagement between the SPCB and the Commissioner is essential in order to ensure that the two parties work together as effectively as possible. This Manual sets out a framework within which the Commissioner, as the accountable officer, and the SPCB, as the funding body, are required to operate to ensure that appropriate funding is available for the Commissioner to undertake his statutory functions.

5. Both the SPCB and the Commissioner will take all necessary steps to ensure that their relationship is developed and supported in line with this Manual and the framework document.

Accountable Officer

6. The SPCB is to designate the Commissioner, or a member of the Commissioner's staff as the accountable officer (AO). Appointment as the AO is a personal appointment.

7. The AO is answerable to Parliament in respect of the following functions-

- signing the accounts of the expenditure and receipts of the Commissioner
- ensuring the propriety and regularity of the finances of the Commissioner; and
- ensuring that the resources of the Commissioner are used economically, efficiently and effectively.

8. The specific duties of the AO are set out in the *Memorandum to the Accountable Officer from the SPCB*.

9. Accountable Officer training must be undertaken by anyone new to the role.

Budget Proposals

10. The Commissioner's funding forms part of the SPCB's budget requirement and as such, is reported to the Parliament's Finance and Public Administration Committee as part of the SPCB's overall budget submission.

11. By such date as determined by the SPCB, the Commissioner must submit for approval, their budget proposals for the use of resources and expenditure which must include estimates of any income they expect to receive. The Commissioner has a duty to ensure that all resources are used economically, efficiently and effectively and a

statement confirming that this requirement has been complied with, must be included as part of the budget submission.

12. The Commissioner may, in the course of a financial year, prepare a revised budget and send it to the SPCB for approval. The revised budget must contain a full explanation of why a revised budget is being submitted and a statement confirming that the resources will be used economically, efficiently and effectively. The SPCB may seek additional information and/or invite the Commissioner to discuss the revised budget.

13. Should there be any disagreement over a budget or revised budget, the Finance and Public Administration Committee will consider the matter and may make recommendations for resolution to the Parliament. Further information is contained in the "*Budgeting Process Agreement Between the SPCB, The Finance and Public Administration Committee and the Commissioner for Children and Young People in Scotland"*

Approved Budget

14. Once the Budget Bill is passed by the Parliament, the SPCB will send the Commissioner a formal statement advising what the approved budget provision is.

15. Some elements of expenditure such as the Commissioner's salary costs, corporate card expenditure and payroll will be incurred directly by the SPCB and charged against the Commissioner's budget. To meet all other expenditure, the Commissioner will draw down funding on a monthly basis according to need. The total funding drawn down and the costs incurred directly by the SPCB, **must not** exceed the approved budget

16. Transfers of budgetary provision between different budget headings (staff, staff related costs, property, fees, running costs and capital) require the prior approval of the SPCB. Transfers within the classifications may be undertaken without seeking SPCB approval subject to any constraints on specific areas of expenditure e.g determinations and staff terms and conditions.

Funding from the SPCB

17. The Commissioner should only seek funding according to need.

18. At the start of the financial year, the Commissioner is required to complete a forecast funding template setting out how they intend to phase the drawdown of their approved budget.

19. Funding will be paid to the Commissioner in monthly instalments on the basis of a written application. The written application shall certify that the conditions applying to the use of funding have been observed to date and that further funding is required for purposes appropriate to the Commissioner's functions.

20. In practice, the Commissioner will submit, on a monthly basis, an application for funding which will provide the SPCB with the following information-

- Forecast outturn by agreed headings against budget
- The amount to be drawn down; and
- Current bank balance/s.

21. Cash balances should be kept at the minimum level consistent with the efficient operation of the Commissioner's Office and details of the Commissioner's bank account/s balance should be included on the funding request form submitted monthly to the SPCB's Finance Office.

22. Cash balances accumulated during the course of the year from funding or other Exchequer funds should be kept at the minimum level consistent with the efficient operation of the Commissioner's Office. The Commissioner must inform Officeholder Services, on a monthly basis, the cash balance of their bank account/s. Cash balances at 31 March should be no higher than $1/12^{th}$ of the non-staff costs element of the Commissioner's approved budget for any given year. As at 31 March, if cash held exceeds $1/12^{th}$ of non-staff costs then the Commissioner must either return the excess funds to the SPCB or adjust their drawdown. Funding recovered/adjusted, will be added to the Officeholders' Contingency Fund.

23. Budgeted funding not drawn down by the end of the financial year will lapse.

24. Where the Commissioner anticipates an underspend in their approved budget, they must notify the SPCB in writing as soon as possible to enable the funding to be surrendered.

Financial Information to the Commissioner

25. The SPCB shall, on a monthly basis, provide to the Commissioner, details of any costs that it has paid directly e.g. salary costs and corporate card expenditure.

26. The monthly report will also contain information on expenses claimed by the Commissioner. These costs are recovered by the SPCB through the raising of an invoice on a quarterly basis.

Contingency funding

27. The SPCB has established a Central Contingency Fund for Officeholders to eliminate the need for each officeholder having to include funding for contingencies in their separate budgets. Where funding is required for unplanned or unexpected expenditure on a one-off basis, and the costs cannot be met from the Commissioner's approved budget, the Commissioner may submit to the SPCB, a request for contingency funding (see the *Memorandum of Understanding between the SPCB and the Commissioner on Access to the Officeholders' Contingency Fund*).

28. Contingency funding from the Officeholders' Contingency Fund may be available for e.g. legal advice/representation; temporary staff cover for maternity absences and projects to improve efficiency and effectiveness. Applications will be considered by the SPCB on a case by case basis.

Shared Services

29. Under the shared services agenda, the Commissioner should look for opportunities to share services where practicable with the SPCB and/or other Officeholders to effect savings.

30. Shared services entered into with others, should be reported to the SPCB.

Commissioner's Determinations Subject to SPCB Approval

31. The Commissioner's determinations under the Children and Young People (Scotland) Act 2003 are subject to the approval of the SPCB.

32. Adviser costs which have been identified and approved by the SPCB as part of the Commissioner's annual budget do not require further approval.

33. All other adviser costs in excess of £3k (excluding VAT) must be approved by the SPCB.

34. **All** adviser payments must be reported to the SPCB quarterly against budget assumptions using the template provided at Annex B.

Income generation

35. Under paragraph 6 of Schedule 1 to the Act, the Commissioner may determine and charge reasonable sums for anything they do or provide in the performance of, or in connection with, their functions e.g. organising a training event and charging delegates a fee to attend. Any income generated must be used to offset the expenditure incurred by the Commissioner in e.g. organising the training event. The resources used and the proceeds of the charges made, should be properly recorded and accounted for.

36. Income generation should not be to the detriment of the Commissioner's primary responsibilities and core functions. Novel or contentious proposals for new sources of income or methods of fundraising must be approved by the SPCB.

37. The use of income generation to fund expenditure not previously approved by the SPCB requires separate authorisation.

38. Receipts from the reimbursement of e.g. court fees should be notified to the SPCB in writing and the Commissioner should make arrangements to either transfer the money back to the SPCB or seek permission to either, reduce their monthly drawdown or if the amount is significant, their overall budget.

Unconventional financing

39. The Commissioner shall not enter into any unconventional financing arrangement.

Financial investments

40. The Commissioner shall not make any investments in traded financial instruments nor build up cash balances or net assets in excess of what is required for operational purposes.

Leasing

41. The Commissioner may acquire and dispose of land and other property and enter into contracts. The Commissioner's power to acquire and dispose of land is subject to the approval of the SPCB.

42. Before entering into any lease (including an operating lease), the Commissioner should consider if the lease offers better value for money than purchase or a rental agreement.

Lending, Guarantees, Indemnities, Contingent Liabilities, Letters of Comfort

43. The Commissioner shall not lend money or allow any charges to be taken over assets. The Commissioner should ensure that when essential, any guarantee, indemnity, a letter or statement of comfort, or any other contingent liability (as set out in the SPFM's section on Contingent Liabilities), is not in a legally binding form.

A most careful appraisal of the risks, including the legal aspects, should be carried out before accepting any contingent liabilities. In all cases steps should be taken to restrict the total contingent liability to a minimum.

VAT

44. It is for the Commissioner to determine, in consultation with HM Revenue and Customs, the organisation's VAT status.

Register of Assets

45. The Commissioner must maintain an accurate and up-to-date register of fixed assets.

Disposal of Assets

46. The Commissioner should dispose of assets which are surplus to requirements. Assets shall be sold for best price, taking into account any costs of sale. High value assets should be sold by auction or competitive tendering and in accordance with the Scottish Public Finance Manual - Disposal of Assets.

47. The Commissioner may normally retain receipts derived from the sale of assets unless they are significant and additional to that planned in their approved budget. Consultation with the SPCB will be required over the budget position and whether a surrender of budget is required.

Insurance

48. The Commissioner must ensure that they meet their statutory obligations in respect of Employer's Liability Insurance and any such other insurance. In considering the need for insurance, the Commissioner should refer to the guidance contained in the Scottish Public Finance Manual.

Timeliness in Paying Bills

49. The Commissioner should comply with the Prompt Payers Code and the Late Payment of Commercial Debts (Interest) Act 1998. In line with the wider public sector,

recording and reporting of payment performance on a 10-day basis on a voluntary basis is recommended.[1]

50. The Commissioner should collect receipts and pay all matured and properly authorised invoices in accordance with the terms of contracts or within 30 days, set out in the SPFM section on Expenditure & Payments.

Procurement of Goods and Services

51. The Commissioner's procurement policies should reflect best practice (see the Procurement section in the SPFM) and they should ensure that they comply with any relevant EU or other international procurement rules.

52. Contracts for works, equipment, goods and services must be awarded through genuine and effective competition unless there are exceptional reasons for not doing so. The Commissioner must retain a clear record of all decisions made.

53. All procurement activity should be focussed on the delivery of value for money; conducted to high professional standards; in accordance with relevant guidance and to the relevant legal requirements.

54. Under the shared services agenda, the SPCB will circulate to the Commissioner, details of its forthcoming procurement exercises. The Commissioner will be invited to note an interest in any contracts that they would like to have access to as a named party.

Gifts

55. The Commissioner may retain any gifts but should consider if there are any associated costs in doing so or any conflicts of interest arising. The Commissioner must keep a written record of any such gifts, bequests and donations and of their estimated value and whether they are disposed of or retained.

Interest earned

56. Interest earned by the Commissioner on assets may be retained and treated as part of the net budget.

Banking

57. The Commissioner, as the AO, is responsible for ensuring that the banking arrangements are in accordance with the requirements of the Banking section of the SPFM. In particular, they should ensure that the arrangements safeguard public funds and are carried out efficiently, economically and effectively.

58. The Commissioner should therefore ensure that

(i) arrangements are suitably structured and represent value-for-money and are reviewed at least every two years, with a comprehensive review, usually leading to competitive tendering, at least every three to five years

[1] The target under the Prompt Payers Code is for payment to be made within agreed payment terms or 30 days of receipt of invoices not in dispute for goods and services received. The 1998 Act allows creditors to claim statutory interest and compensation on late payment of commercial debts.

(ii) cash reserves held during the course of the year are kept to the minimum level and at the end of the financial year, the cash balance is no higher than 1/12th of the element for non-staff costs in the Commissioner's approved budget; and

(iii) appropriate steps are taken to prevent fraud on his bank account and transactions; that adequate records are maintained of payments and receipts, and adequate facilities are available for the secure storage of cash held on the premises.

Risk management

59. The Commissioner should ensure that their internal control systems include arrangements for identifying, assessing and managing risks. and keep them up to date. Further guidance on risk management is available in the Orange Book published by HM Treasury.

60. The Commissioner's reporting arrangements should ensure that the SPCB is made aware of relevant risks and how they are being managed.

Fraud prevention and whistleblowing

61. The Commissioner should adopt and implement policies and practices to safeguard themself against fraud and theft (see the Fraud section of the SPFM).

62. Application of these processes must be monitored actively, supported by a fraud response plan and robust reporting arrangements. This includes the establishment of avenues to report any suspicions of fraud.

63. In addition, the Commissioner should take risk-based and proportionate steps to appraise the financial standing of any supplier or other body with which they intend to enter into a contract.

Staff management

64. The Commissioner may appoint staff on such terms and conditions as they determine, subject to the approval of the SPCB.

65. Where the Commissioner is seeking approval for a staffing determination that will have a significant and ongoing financial impact on their baseline budget – and the need for additional staff is not as a result of a new statutory function – then the Commissioner may submit a determination to the SPCB for its consideration. The determination must be supported by a report/statement from an independent source which provides an objective and independent view on the request. This is to provide the SPCB with an assurance that there is a long-term requirement for additional staff. For the purpose of a staffing determination, a significant and ongoing financial impact means 12% of total staffing costs.

66. The SPCB may seek additional written information from the Commissioner or invite the Commissioner to appear before it.

67. The Commissioner has responsibility for the recruitment and retention of their staff. The broad responsibilities toward their staff is to ensure that-

(i) personnel policies, practices and systems comply with employment and equalities legislation, and standards expected of public sector employers

(ii) the level and structure of staff, including grading and staff numbers, are appropriate to the Commissioner's functions and the requirements of economy, efficiency and effectiveness

(iii) staff performance at all levels is appraised annually and performance measurement systems are reviewed from time to time

(iv) staff are encouraged to acquire the appropriate professional, management and other expertise necessary to achieve the Commissioner's objectives

(v) proper consultation with staff takes place on key issues affecting them

(vi) adequate grievance and disciplinary procedures are in place

(vii) whistle-blowing procedures consistent with the Public Interest Disclosure Act1998 are in place; and

(viii) a Code of Conduct for staff is in place.

Staff pensions, redundancy and compensation

68. Subject to the approval of the SPCB, the Commissioner may make arrangements for the payment of staff pensions.

69. Any proposal by the Commissioner to move from the existing pension arrangements for their staff, or to pay any redundancy or compensation for loss of office/employment requires the approval of the SPCB. Proposals on severance payments must comply with the Settlement Agreements (severance, early retirement and redundancy terms) section of the SPFM.

Internal Audit

70. The Commissioner should ensure that a sound system of internal control is put in place that supports the achievements of the organisation's policies, aims and objectives whilst safeguarding public funds and assets

71. Internal audit should provide an independent and continuing appraisal of the organisation's internal control system to provide the Commissioner as the AO, with a continuing assurance that the organisation's internal control systems are adequate and effective. The operation and conduct of internal audit should comply with the standards contained in the Public Sector Internal Audit Standards and the Internal Audit section of the SPFM.

72. Should the Commissioner consider internal audit to be unnecessary, the reasons should be communicated to the SPCB along with evidence of appropriate assurance arrangements that have been put in place.

External audit

73. The Commissioner's statutory auditor is the Auditor General for Scotland (AGS) or examiners so appointed, who shall examine, certify and report on each statement of account sent.

74. The final accounts including the Independent Auditor's Report must be laid not later than nine months after the end of the financial year to which the accounts relate.

The laying process is arranged via Scottish Ministers who are also responsible for publishing the accounts.

75. The AGS, or examiners so appointed by the AGS, may carry out examinations into the economy, efficiency and effectiveness with which the Commissioner has used their resources in discharging their functions.

Annual accounts

76. The Commissioner must keep proper accounting records and other records in relation to the accounts and prepare a statement of accounts for each financial year in the form set out in the Accounts Direction issued by Scottish Ministers.

77. The draft accounts shall be submitted for audit not later than 6 months after the end of the financial year to which the accounts relate.

78. The Commissioner must make the audited accounts available for inspection, free of charge, if so requested.

Advisory Audit Board (or equivalent)

79. The Commissioner should meet with their Advisory Audit Board or equivalent at least annually and prior to the signing and publishing of their annual report and accounts.

Governance Statements

80. A Governance Statement, for which the AO takes personal responsibility, is a key feature of the organisation's annual report and accounts. It should cover the accounting period and the period up to the date of signature and provide the reader with a clear understanding of the organisation's internal control structure and its management of resources. The statement should be informed by work undertaken throughout the period to gain assurance about performance and risk management, providing an insight into the organisation's risk profile and its responses to identified and emerging risks.

81. Further information on governance statements including the essential features can be found in the SPFM at governance statements

Certificates of Assurance

82. Certificates of Assurance support the signing of the governance statement. To enable the AO to sign the governance statement they require assurances on the maintenance and review of internal control systems within or affecting their area of responsibility. Internal control systems comprise the whole network of systems established in an organisation to provide assurance that organisational objectives will be achieved, with particular reference to-

(i) risk management

(ii) the effectiveness of operations

(iii) the economical and efficient use of resources

(iv) compliance with applicable policies, procedures, laws and regulations

(v) safeguards against losses, including those arising from fraud, irregularity or corruption; and

(vi) the integrity and reliability of information and data.

83. As the Commissioner's funding forms part of the SPCB's overall expenditure, the Commissioner is required to send a copy of their Certificate of Assurance to the Clerk of the Parliament. This is to enable the Clerk, as the Principle Accountable Officer, to sign the SPCB's Governance Statement.

84. The Commissioner should refer to and follow the guidance contained in the Internal Control Checklist prior to submitting their Certificate of Assurance.

85. Officeholder Services will inform the Commissioner when their Certificate of Assurance should be submitted.

Revision of Manual

86. This manual should be formally reviewed at least every 3 years to ensure compliance with the Scottish Public Finance Manual. Any new legislative requirement will take precedence over any part of this manual.

ANNEX A

Relevant Documents

- Any recommendation made by the Public Audit Committee or other Parliamentary authority which has been accepted by the Government and is relevant to the Commissioner
- Budgeting Process Agreement between the SPCB, the Finance and Public Administration Committee and the Commissioner for Children and Young People in Scotland
- Financial Reporting Manual (FReM)
- Internal Audit Checklist
- Memorandum of Understanding between the SPCB and the Commissioner on Access to the Officeholders' Contingency Fund
- Memorandum to the Accountable Officer from the SPCB
- Orange Book published by HM Treasury
- Scottish Public Finance Manual (SPFM)
- Template for reporting adviser payments (attached at Annex B)

Annex B

Template for Reporting Adviser Payments

Advisers	Approved Budget £	Q1 Expenditure £	Q2 Expenditure £	Q3 Expenditure £	Q4 Expenditure £	Total Expenditure £
e.g. Auditors						
Legal advisers						