

FINANCE ACCOUNTABILITY FRAMEWORK

Background

- ▶ AO templates to be utilised by directorates **and public bodies** for all material spend decisions to support robust decision making, including assessment of value for money and affordability and ensure adequate audit trails and evidence to support transparency and public scrutiny.
- ▶ **For Resource:** the AO template process must be followed for **all expenditure over £1 million** that is not yet legally committed. For clarity this includes expenditure included within original budget allocations. This is to ensure there is an auditable trail of decision making and to support achievement of a balanced budget.
- ▶ **For Capital and FTs:** AO templates will not need sign off if the spend is set out in budget plans, is affordable within the Portfolio's overall budgetary envelope and is not novel or contentious as set out in the Scottish Public Finance Manual (SPFM).
- ▶ Any savings which are to be taken forward or held as contingency to manage the budget position can only be released via an AO Template request.
- ▶ For spend below £1 million which is not novel or contentious (novel and contentious requires Finance sign off), areas should consider Accountable Officer and subject Cabinet Secretary/Minister sign off on a case by case basis.
- ▶ The delegated limits for AO Templates is set out in **Annex C**.
- ▶ This process is to support a balance between providing Portfolios with scope to make spending decisions within the flexibility of individual budgets versus managing the overall financial position. **As noted above, it has now been extended to include all Resource expenditure over £1 million (that is not legally committed)**
- ▶ Spend decisions should also consider potential impacts on the tax system; local and devolved tax revenues; and Scotland's devolved tax policy.
- ▶ Finance Business Partners should be consulted on appropriate sign off process for politically sensitive decisions or ones which fall under the novel and contentious category, no matter the value.
- ▶ The process will be reviewed regularly during the financial year as part of a refreshed budget milestone path, with thresholds and delegations/escalation revised depending on the overall financial position.
- ▶ Areas should continue to engage at the outset of decision-making with Finance Business Partners for overall financial advice.

Further Issues to Consider

Accountable officers should take particular note of the following potential issues when considering spend. Where these type of issues emerge, it is vital to seek advice from Finance officials/Finance Business Partners, SGLD, the Subsidy Control Unit, procurement or HR Business Partners as appropriate.

In your stewardship of public funds, all actions require to stand the test of Parliamentary scrutiny, public judgements and propriety and professional codes of conduct.

1. Novel and Contentious Spend

"Novel" relates to proposed expenditure or financial arrangements of a sort not previously undertaken or entered into by the body in question or that could not be considered, reasonably, to be standard practice. "Contentious" relates to proposed expenditure or financial arrangements where there was doubt as to regularity (i.e. compliance with relevant legislation and guidance) or propriety (i.e. compliance with the standards expected of public bodies or officials).

This includes whether the spend is within currently delegated limits.

In business as usual circumstances, approval of a novel or contentious transaction is required prior to the decision being taken. If a decision needs to be taken immediately due to the action constituting a health and safety issue, Accountable officers must still approach their Finance Business Partner following the decision in order to homologate the approach.

2. Statutory and Budgetary Powers

Accountable officers should also assess whether any expenditure undertaken has appropriate statutory power. For example, for Covid related spend potentially Section 1A of the National Health Service (Scotland) Act 1978:

1A Duty of the Scottish Ministers to promote health improvement:

- (1) It is the duty of the Scottish Ministers to promote the improvement of the physical and mental health of the people of Scotland.
- (2) The Scottish Ministers may do anything which they consider is likely to assist in discharging that duty including, in particular—
 - (a) giving financial assistance to any person,
 - (b) entering into arrangements or agreements with any person,
 - (c) co-operating with, or facilitating or co-ordinating the activities of, any person.
- (3) Subsections (1) and (2) are without prejudice to section 1 and any other provision of this Act conferring or imposing functions on the Scottish Ministers.

If there is no statutory power, it may still be possible to undertake the expenditure if Ministers possess the necessary common law powers or the expenditure is not of a continuing nature. Please see the Scottish Public Finance Manual for more details.

Accountable officers contemplating activities giving rise to expenditure for which there are no statutory powers should contact SGLD and their Finance Business Partner.

3. Cash Availability

The funding requirements of the Scottish Administration and other bodies directly funded by the Scottish Consolidated Fund will continue to be derived from monthly forecasts prepared by Treasury & Banking under H M Treasury's Cashflow Management Scheme based on information supplied by participants in the Scheme. Treasury & Banking will continue to manage cash flows in-month, including adjustments to forecasts as required based on any notifications by participants of changes in forecast receipts and payments. If necessary, Treasury & Banking will

request in-month top-up supplies in liaison with H M Treasury. Significant unplanned expenditure should be discussed with Treasury & Banking.

4. Procurement

Decisions that impact on current SG contracts rest with the contract owner within the SG Directorate concerned, however, SPPD should also be involved, initially through its contract management service - either Barry Graham ext 43522 , or Angela Mackay ext 45928.

Decisions that impact on live procurements (that's where procurement action has been instigated but not yet reached the point of placing a contract) should involve the relevant part of SPPD. In the first instance please contact Ian Howie ext 40457.

5. Prioritisation, Financial Resource and Staffing Resource

Accountable Officers are expected to have regular dialogue with respective Cabinet Secretary/ Minister regarding the prioritisation of activities within portfolios, and in this context consider both the financial resource and staffing resource for activities. Any decisions with regards to staffing resource must be taken in line with resourcing policy and workforce/resource planning, taking into account recurring future year costs and consulting HR Business Partners.

Annex A: DECISION MAKING TEMPLATE

Please see approval requirements as per Annex C.

When submitting requests, please copy in:

Chief Financial Officer, your FBP, your SGLD contact, your Procurement contact, your HRBP, Subsidy Control Unit, Director of Budget and Public Spending, Douglas McLaren, Nuala Gormley, Jennifer Bradley, Elise Black, Derek Glover, Michael Walker, Owen McKinstry, Cathy Sumner, Heather Darling, Gary Jones, Claire Hughes, Scott Mackay, Niall Caldwell, Ann Thomson, Audrey Parfinowska, David Parkinson, John Bruce (JA Bruce).

Accountable Officers, when reviewing requests should continue to consider if the key tests of: Powers of Intervention, Regulatory of Expenditure, Propriety, Value for Money and Feasibility (i.e. financial sustainability) are satisfied

Policy Questions

The nature of the request (e.g. recruitment of staff, new infrastructure, IT system changes, etc.), and the aims, and objectives the proposals will support:

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How does this link to your directorate strategy as informed by the National Performance Framework and other Government Priorities:

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Is this issue unique to Scotland, compared to the rest of the UK, if so explain why this is the case:

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What would be the impact if this activity was not taken forward:

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Are there other options available to take forward this action and have these been fully considered and compared?:

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If already taken forward, why this needed an urgent response and what would have been the impact on the proposal/proposed mitigating action if this was delayed:

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What budgetary and legislative powers will be used to undertake the activity? (eg is the spend covered under the budget act and legislative powers of the Scottish Parliament). Please contact SGLD and finance for advice

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Do you consider the spend to be novel or contentious? If so please contact your Finance Business Partner for advice

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Areas of government the costs will impact (e.g. Directorate / Local Government / Public Body) :

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Overall, do you consider this spend to be value for money?

- How will value for money be assessed for this projects (ie the plans for monitoring evaluation by assessing performance against SMART objectives and the National Performance Framework for example).
- If other options might achieve the objective at lower costs note the additional benefits gained from the selected option
- Consider the impact of risk in the project and how it affects your value for money assessment

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TEMPLATE CONTINUES ON NEXT PAGE

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What reprioritisation and mitigating options/actions have been explored in advance of this proposal to manage or absorb the request, including cutting costs and, reprioritising existing staff and budgets:

What are the longer-term financial implications of this request, and how will these be funded from the business area (e.g. if funding increase in staffing how will recurring staff costs be met in future years)

What timeframe does this commitment cover (eg what date will the spend commence and when is it expected to end to the nearest month)

What are the impacts on the tax system of this request – whether that be devolved taxation or tax powers reserved to the UK Government? If none, please explain why. If unsure please contact the Tax Division for advice.

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Procurement

When approval for the proposed expenditure is needed by, with reference to when the funds need to be committed by, and the contractual arrangements for committing them (including what discussions you have had with procurement).

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Procurement reviewed by:	Date:	Comments:

Legal

Any legal risks arising from the proposed spending and confirmation that these have been considered by SGLD:

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Legal reviewed by:	Date:	Comments:

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HR

Any decisions with regards to staffing resource must considered in the context of resourcing policy and your workforce/resource planning, take into account recurring future year costs, and involve HR Business Partners.

If the activity involves new staffing resource has consideration been given to all other options – such as resource becoming available through re-prioritisation or multifunctioning staff within and across Directorates:

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HR Business Partner reviewed by:	Date:	Comments:

Subsidy Control (formally State Aid Unit)

Any risks arising from the proposed spending and confirmation that these have been considered by the State Aid Unit:

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Subsidy Control Unit reviewed by:	Date:	Comments:

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SG Finance – CFO considerations:

The above business case has been reviewed by SG Finance [DH(1)] who highlight the below comments:

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CFO signed::	Date:	Comments:

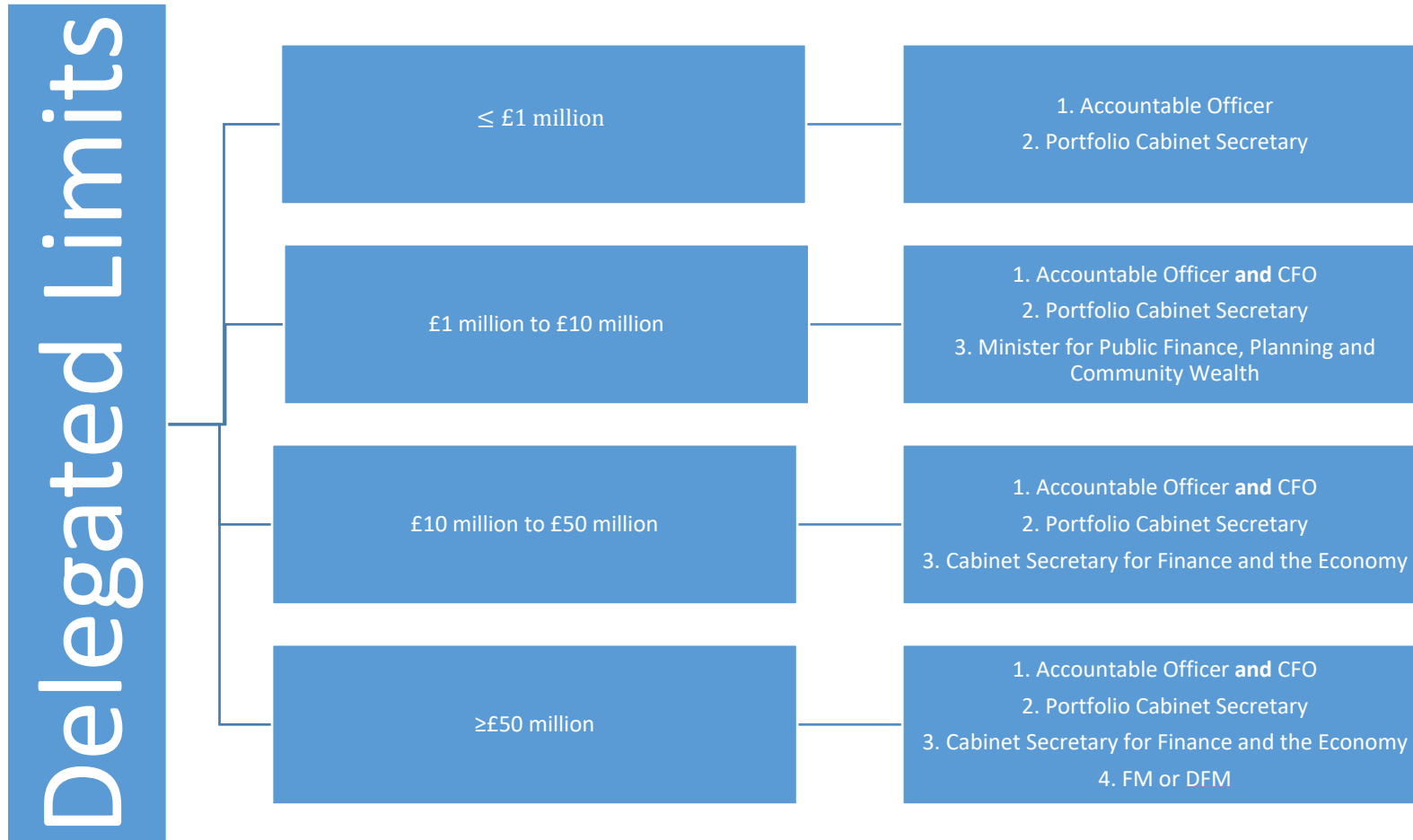
Declaration

The above business case is judged as the best course of action to mitigate priority costs. All efforts have been made to resource activity from within current staffing and budgets, and options to acquire resource from other areas of the Scottish Government have been fully exhausted before requesting further resource.

	Signed	Date
Director General (or equivalent)		

Annex C

Delegated Limits and Approvals



NB For spend below £1 million which is not novel or contentious (novel and contentious requires Finance sign off), areas should consider Accountable Officer and subject Cabinet Secretary/Minister sign off on a case by case basis. Please speak to your Finance Business Partner for guidance on a case by case basis