

SCOTTISH CHILDREN'S REPORTER

ADMINISTRATION

**Management Statement and
Financial Memorandum**

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SCOTTISH CHILDREN'S REPORTER

ADMINISTRATION

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1. INTRODUCTION

This management statement and its associated financial memorandum have been drawn up by the Scottish Executive Education Department (SEED) in consultation with colleagues in other areas of the Executive. The Chair, Principal Reporter and senior management team of the Scottish Children's Reporter Administration (SCRA) were also consulted.

The SCRA shall satisfy the conditions and requirements set out in the management statement/financial memorandum (MS/FM), together with all relevant requirements in the Scottish Public Financial Manual (SPFM) and such other conditions as the Scottish Ministers/Sponsor Division may from time to time impose. Any question regarding the interpretation of the management statement/financial memorandum shall be resolved by the Department after consultation with the SCRA.

1.1 Taken together, the management statement and financial memorandum set out the broad framework, within which the SCRA will operate, in particular:

- the rules and guidelines relevant to the exercise of the SCRA's functions, duties and powers;
- the conditions under which any public funds are paid to the SCRA;
- how the SCRA is to be held to account for its performance.

1.1.1 The financial memorandum sets out in greater detail certain aspects of the financial provisions which the SCRA is required to observe.

1.1.2 The documents are to be reviewed by the Department at least every two to three years (Section 8 below).

1.1.3 The SCRA or Scottish Ministers may propose amendments to either document at any time. Scottish Ministers will determine what changes, if any, are to be incorporated. Legislative changes will take precedence over any part of this document.

1.1.4 Copies of this document and any subsequent substantive amendments will be placed in the Library of the Scottish Parliament. Copies will also be made available to members of the public on request.

1.2 Founding legislation; status of the SCRA:

1.2.1 The SCRA was established under the Local Government (Scotland) Act 1994 (“the Act”). The SCRA is a body corporate and does not carry out its functions on behalf of the Crown.

1.3 Classification of the SCRA

1.3.1 “For policy/administrative purposes the SCRA is classified as an executive Non-Departmental Public Body (NDPB).”

1.3.2 For national accounts purposes the SCRA is classified to the central government sector.

1.3.3 References to the SCRA include all its joint ventures that are classified to the public sector for national accounts purposes. If such a subsidiary or joint venture is created, there shall be a document setting out the arrangements between it and the SCRA.

1.4 The functions, duties and powers of the SCRA are set out in the Act (in particular sections 128 and 132). The key statutory functions are to:

- facilitate the performance by the Principal Reporter of her statutory functions in relation to children who may be in need of compulsory measures of care;
- provide suitable accommodation and facilities for children’s hearings;
- facilitate the work of Children’s Reporters; and
- deploy and manage staff to carry out that work.

2. AIMS, OBJECTIVES AND TARGETS

2.1 Scottish Ministers have approved the following overall aim for the SCRA: SCRA can make a significant contribution to the Scottish Executive’s vision for children by focusing on children most at risk. The SCRA aims to do that by ensuring its processes and decision-making are as efficient and as effective as possible. By working closely with its partners within a system dealing with children where the case for compulsory intervention is evident, the SCRA’s aim is to deliver improved outcomes for these children, their families and the communities in which they live.

2.2 Key objectives and targets

2.2.1 Key objectives and targets are set by the SCRA as part of their strategic planning process and are approved by the Secretary of the Scottish Executive Education Department (SEED).

2.2.2 The key performance targets relating to these objectives are set out in the SCRA's Corporate and Business Plans.

3. RESPONSIBILITIES AND ACCOUNTABILITY

3.1 Scottish Ministers

3.1.1 Scottish Ministers are ultimately accountable to the Scottish Parliament for the activities and performance of the SCRA. Their responsibilities include:

- approving the policy and performance framework within which the SCRA operates, including objective setting;
- providing policy information to the Scottish Parliament about the SCRA as required;
- determining the amount of grant-in-aid to be paid to the SCRA and seeking Parliamentary approval;
- ensuring that appointments to the Board are made timeously and in accordance with the Commissioner for Public Appointments in Scotland's Code of Practice;
- approving the terms and conditions of Board members, appointment of the Principal Reporter, approval of terms and conditions of staff; and
- laying of the annual report and accounts before the Scottish Parliament.

3.2 The Secretary of the Scottish Executive Education Department (SEED)

3.2.1 The Secretary of SEED, as the Department's Principal Accountable Officer, is personally responsible for the propriety and regularity of the public finances for which s/he is responsible; for keeping proper records; and for the efficient and effective use of resources. Departmental Accountable Officers answer personally to the Audit Committee of the Scottish Parliament on matters relating to the policies, actions and conduct of that part of the Scottish Executive for which s/he is responsible. In particular:

- s/he is responsible for ensuring that the SCRA's strategic aim and objectives support the Scottish Ministers' wider strategic aims; and that the financial and other management controls applied by the Department to the SCRA are appropriate and sufficient to safeguard public funds, and for monitoring the SCRA's compliance with those controls ("public funds" in this context include not only any funds granted to the SCRA by the Scottish Parliament but also any other funds within the stewardship of the SCRA);
- s/he must be satisfied that the internal controls applied by the SCRA conform to the requirements of regularity, propriety and good financial management; and
- s/he is accountable to the Scottish Parliament for the issue of such subvention, and for ensuring that the subventions are within the ambit and the amount of the Budget, and that Parliamentary authority has been sought and given.

3.2.2 The responsibilities of a Departmental Accountable Officer are set out in more detail in the Accountability Section of the SPFM.

3.3 The Sponsoring Division of the Department

3.3.1 Within the Scottish Executive Education Department, Youth Justice and Children's Hearings Division is the sponsoring division for the SCRA. The division is the primary source of advice to Scottish Ministers on the discharge of their responsibilities in respect of the SCRA, and the primary point of contact for the SCRA itself within the Department.

3.3.2 The main functions of the sponsoring division are:

- to agree an appropriate framework of objectives and targets for the SCRA in the light of the Scottish Ministers' wider strategic aim(s);
- to advise Scottish Ministers on an appropriate budget for the SCRA within the Department's overall planned budgetary provision, and on appropriate performance targets for the administration, how well the SCRA is achieving its strategic objectives and whether it is delivering value for money;

- to monitor and review the SCRA's performance against targets, budgeting, control and risk management, including early sight of the SCRA's Statement on Internal Control and against its total financial provision; to submit advice to the Departmental Accountable Officer and Scottish Ministers as appropriate and to take action where appropriate;
- to communicate relevant Scottish Executive policy to the SCRA and advise on the interpretation of that policy; and to issue specific guidance to the SCRA as necessary;
- to address in a timely manner any significant problems arising in the SCRA, whether financial or otherwise, making such interventions in the affairs of the SCRA as the Department judges necessary;
- to ensure that the activities of the SCRA and the risks associated with them are properly taken into account in the Scottish Executive's risk assessment and management systems; and
- to bring concerns about the activities of the SCRA to the Board and require explanations and assurances that action has been taken.

3.4 The Chair of the Scottish Children's Reporter Administration

3.4.1 The Chair is appointed by the Scottish Ministers. The Scottish Ministers will be entitled to appoint a Chair from applicants to a public advertisement and subject to the constraints set out in the Act and shall be entitled to remove the Chair at any time.

3.4.2 The Chair of the SCRA is personally responsible to the Scottish Ministers for ensuring that the SCRA's policies are compatible with those of the Scottish Ministers and the probity in the conduct of the SCRA's affairs.

3.4.3 The Chair has a particular responsibility for providing effective strategic leadership on the following matters:

- formulating the Board's strategy for discharging its statutory duties;
- encouraging high standards of propriety and promoting the efficient and effective use of staff and other resources throughout the SCRA;

- having executive responsibility for long-term strategic and corporate governance including development of Risk Management policies;
- ensuring that the Board, in reaching decisions, takes proper account of guidance provided by the responsible Minister or sponsor Department;
- representing the views of the Board to the general public; and
- routinely providing an assessment of performance of individual Board members.

3.4.4 The Chair should ensure that all members of the Board, when taking up office are fully briefed on the terms of their appointment and on their duties, rights and responsibilities and receive appropriate induction training, including on the financial management and report requirements of public sector bodies and on any differences which may exist between private and public sector practice.

3.4.5 The Chair shall also ensure that, in line with the provisions of the Ethical Standards in Public Life etc (Scotland) Act 2000, Board members are fully aware of the SCRA's Code of Conduct as approved by the Scottish Ministers.

3.4.6 Communications between the Board and the Scottish Ministers shall normally be through the Chair. The Chair shall ensure that the Principal Reporter and other Board members are kept informed of such communications.

3.5 The SCRA's Board

3.5.1 Board members are appointed by the Scottish Ministers for such duration as they shall determine. The Scottish Ministers shall be entitled at any time:

- to require all or any of the Board members to resign from membership of the Board – subject to the terms of paragraph 6 of Schedule 12 of the Local Government etc (Scotland) Act 1994;
- to appoint members to fill any vacancies in the membership of the Board; and
- by order, to increase the number of Board members.

3.5.2 The Board has corporate responsibility for ensuring that the SCRA fulfil the aims and objectives set by the Scottish Ministers and for promoting the efficient and effective use of staff and other resources by the SCRA in accordance with the principles of Best Value – see relevant section of the SPFM. To this end, and in pursuit of its wider corporate responsibilities, the Board shall:

- establish the overall strategic direction of the SCRA within the policy, planning and resources framework determined by the Scottish Ministers;
- ensure that the Scottish Ministers are kept informed of any changes which are likely to impact on the strategic direction of the SCRA or on the attainability of its targets, and determine the steps needed to deal with such changes;
- ensure that any statutory or administrative requirements for the use of public funds (i.e. all funds falling within the stewardship of the SCRA) are complied with; that the Board operates within the limits of its statutory authority and any delegated authority agreed with the sponsor Department, and in accordance with any other conditions relating to the use of public funds; and that, in reaching decisions, the Board takes into account relevant guidance issued by the Scottish Ministers/sponsor Department;
- ensure that the Board receives and reviews regular financial information concerning the management of the SCRA; is informed in a timely manner about any concerns about the activities of the SCRA; and provides positive assurance to the sponsor Department that appropriate action has been taken on such concerns;
- demonstrate high standards of corporate governance at all times, including by setting up and using an independent Audit Committee – in accordance with the guidance on Audit Committees in the SPFM – to help the Board to address the key financial and other risks facing the SCRA;
- provide commitment and leadership in the development and promotion of Best Value principles throughout the organisation;
- appoint, with the Scottish Ministers' approval, a Chief Executive to the SCRA and, in consultation with the sponsor Department, set

performance objectives and remuneration terms linked to these objectives for the Chief Executive which give due weight both to the proper management and use of public monies and to the delivery of outcomes in line with the Scottish Ministers' priorities.

3.5.3 Individual Board members shall act in accordance with their wider responsibility as members of the Board – namely to:

- comply at all times with the Code of Conduct (paragraph 3.4.5 above) that is adopted by the SCRA and with the rules relating to the use of public funds, conflicts of interest and confidentiality;
- not misuse information gained in the course of their public service for personal gain or political profit, or seek to use the opportunity of public service to promote their private interests or those of connected persons or organisations;
- comply with the Code of Conduct or, for those bodies not covered by the provisions of the Ethical Standards framework, the Board's rules on the acceptance of gifts and hospitality, and of business appointments;
- act in good faith and in the best interests of the SCRA.

3.6 The Committees of the Board of the Scottish Children's Reporter Administration

3.6.1 The SCRA may appoint persons who are not members of it to be members of any committee established by it, although no committee may consist entirely of persons who are not members of the Administration. The SCRA shall pay to a person appointed to such a committee such remuneration and allowances (if any) as the Scottish Ministers may determine. The SCRA may regulate the procedure of any committee and any committee shall comply with any directions given to it by the Administration.

3.7 The Accountable Officer of the SCRA

3.7.1 The Chief Executive and Principal Reporter of the SCRA is designated as the SCRA's Accountable Officer by the Principal Accountable Officer of the Scottish Executive Education Department in accordance with sections 14 and 15 of the Public Finance and Accountability (Scotland) Act 2000.

3.7.2 The Accountable Officer of the SCRA is personally responsible for safeguarding the public funds (i.e. all funds falling within the stewardship of the SCRA) for which they have charge; for ensuring propriety and regularity in the handling of those public funds; and for the day-to-day operations and management of the SCRA. They should act in accordance with the terms of the MS/FM and within the terms of relevant guidance in the SPFM and other instructions and guidance issued by the Scottish Ministers – in particular the Memorandum of Accountable Officers of Other Public Bodies (Annex 2 of the section on Accountability in the SPFM).

3.7.3 The Accountable Officer has a duty to secure Best Value, which includes the concepts of good corporate governance, performance management and continuous improvement. Guidance to Accountable Officers on what their organisations should be able to demonstrate in fulfilment of the duties which make up a Best Value regime is included in the Best Value section of the SPFM.

3.7.4 As Accountable Officer, the Chief Executive shall exercise the following specific responsibilities:

on planning, performance management and monitoring –

- establish the SCRA's corporate and business plans in the light of the Scottish Ministers' wider strategic aim(s);
- establish a robust performance management framework which supports the achievement of the SCRA's aims and objectives as set out in the corporate and business plans; and which enables full performance reporting to the Board, the Department and the wider public;
- inform the sponsor Department of the SCRA's progress in helping to achieve the Scottish Ministers' policy objectives and in demonstrating how resources are being used to achieve those objectives;
- ensure that timely forecasts and monitoring information on performance and finance are provided to the sponsor Department; that the sponsor Department is notified promptly if overspends/underspends are likely or if performance targets are at serious risk and that corrective action is taken; and that any

significant problems, whether financial or otherwise, and whether detected by internal audit or by other means, are notified to the sponsor Department in a timely fashion;

on advising the Board –

- advise the Board on the discharge of its responsibilities as set out in this document (in the founding legislation) and in any other relevant instructions and guidance issued by the Scottish Ministers/sponsor Department;
- advise the Board on the SCRA's performance compared with its aim(s) and objectives;
- ensure that financial considerations are taken fully into account by the Board at all stages in reaching and executing its decisions;
- take action as set out in section 5 of the Memorandum to Accountable Officers of Other Public Bodies if the Board, or its Chair, is contemplating a course of action involving a transaction which the Chief Executive considers would infringe the requirements of propriety or regularity or does not represent prudent or economical administration or efficiency or effectiveness;

on managing risk and resources –

- ensure that a system of risk management is embedded in the organisation to inform decisions on financial and operational planning and to assist in achieving objectives and targets;
- ensure that an effective system of programme and project management and contract management is maintained;
- ensure that the funds made available to the SCRA (including any approved income or other receipts) are used for the purpose intended by the Scottish Parliament, and that such monies, together with the SCRA's assets, equipment and staff, are used economically, efficiently and effectively;
- ensure that adequate internal management and financial controls are maintained by the SCRA, including effective measures against fraud and theft;

- maintain a comprehensive system of internal delegated authorities which are notified to all staff, together with a system for regularly reviewing compliance with these delegations;
- ensure that effective human resource management policies are maintained and that strategic human resource planning is related to the SCRA's objectives;

on accounting for the SCRA's activities –

- sign the accounts and be responsible for ensuring that proper records are kept relating to the accounts and that the accounts are properly prepared and presented in accordance with any directions issued by the Scottish Ministers;
- sign a Statement of Accountable Officer's responsibilities, for inclusion in the annual report and accounts;
- sign a Statement on Internal Control regarding the SCRA's system of internal control, for inclusion in the annual report and accounts;
- sign a Certificate of Assurance on the maintenance and review of the SCRA's internal control systems, for submission to the sponsor Department;
- ensure that an effective complaints procedure is in place (including, where applicable, reference to the Scottish Public Services Ombudsman) and made widely known;
- give evidence when summoned before Committees of the Scottish Parliament on the use and stewardship of public funds by the SCRA.

3.7.5 The Chief Executive may delegate the day-to-day administration of the Accountable Officer's responsibilities to other employees in the SCRA. However, they shall not assign absolutely to any other person any of the responsibilities set out in this document.

3.7.6 The Chief Executive is responsible for informing the Departmental Accountable Officer about any complaints about the SCRA accepted by the Scottish Public Services Ombudsman for investigation, and about the SCRA's proposed response to any subsequent recommendations from the Ombudsman.

4. PLANNING, BUDGET REPORTING AND INTERNAL AUDIT

4.1 The Corporate Plan

4.1.1 Consistent with the timetable for public spending reviews, the SCRA shall submit to the sponsor Department a draft of its Corporate Plan covering the spending review period. The SCRA shall have agreed with the sponsor Department the issues to be addressed in the plan and the timetable for its preparation. The plan, or elements thereof, shall be updated between public spending reviews as and when considered necessary.

4.1.2 The plan shall reflect the SCRA's statutory duties and, within those duties, the priorities set from time to time by the Scottish Ministers.

4.1.3 The Corporate Plan shall set out:

- the SCRA's key objectives and associated key performance targets for the three forward years, and its strategy for achieving those objectives;
- a review of the SCRA's performance in the preceding financial year (together with comparable outturns for the previous 2-5 years), and an estimate of performance in the current year;
- alternative scenarios to take account of factors which may significantly affect the execution of the plan but which cannot be accurately forecast;
- other matters as agreed between the sponsor Department and the SCRA.

4.1.4 The main elements of the plan – including the key performance targets – shall be agreed between the sponsor Department and the SCRA in the light of the sponsor Department's decisions on policy and resources taken in the context of the Scottish Ministers' wider public expenditure plans and decisions.

4.2 The Business Plan

4.2.1 The Business Plan for the year immediately ahead shall be consistent with the agreed Corporate Plan. The Business Plan shall

be updated annually by the SCRA to include key targets and milestones for the forthcoming year and shall be linked to budgeting information so that resources allocated to achieve specific objectives can readily be identified by the sponsor Department. A copy of the Business Plan shall be submitted to the sponsor Department for information (and comment where considered appropriate) prior to the beginning of the financial year in question.

4.2.2 The plan will reflect the SCRA's duties and, within those duties, the priorities set from time to time by the Scottish Ministers.

4.2.3 In the light of the SCRA's Mission Statement and Performance Targets (see section 7 below), the plan will set out:

- the SCRA's key objectives and associated key performance targets for the three forward years and its strategy for achieving these objectives;
- a review of the SCRA's performance in the preceding financial year, together with comparable outturns for the previous three years, and an estimate of performance in the current year;
- a forecast of expenditure and income taking account of guidance on resource assumptions and policies provided by the sponsor Department at the beginning of the planning round. These forecasts should represent the SCRA's best estimate of its available income, including any grant or grant-in-aid and other expenditure within the SCRA's provision within Total Managed Expenditure; and
- additional forecasts derived from alternative forward scenarios and estimates, the effects of these on the achievement of the SCRA's objectives. In particular, the Corporate Plan should include options for greater and for lower total provision.

4.2.4 The main elements of the plan – including the key performance targets – will be agreed between the sponsor Department and the SCRA in the light of the sponsor Department's decisions on policy and resources taken in the context of the Scottish Ministers' latest public expenditure decisions.

4.3 Publication of plans

4.3.1 Subject to any commercial considerations the Corporate and Business Plans shall be published on the Internet. A summary version shall be made available to staff.

4.3.2 Meetings between the SCRA and the sponsor Department to monitor progress against planned expenditure will be held at least twice yearly (September and January).

4.4 Reporting performance to the sponsor Department/Budgeting procedures

4.4.1 The SCRA shall operate management information and accounting systems which enable it to review in a timely and effective manner its financial and non-financial performance against the budgets and targets set out in its Corporate and Business Plans.

4.4.2 The SCRA shall take the initiative in informing the sponsor Department of changes in external conditions which make the achievement of objectives more or less difficult, or which may require a change to the budget or objectives set out in the Corporate or Business Plans.

4.4.3 The SCRA's performance in helping to deliver the Scottish Ministers' policies, including the achievement of agreed key objectives and associated key performance targets, shall be reported to the sponsor Department on a quarterly basis. Performance will be formally reviewed regularly by officials of the sponsor Department. The appropriate Scottish Minister shall meet the Board formally and regularly to discuss the SCRA's performance, its current and future activities and any policy developments relevant to those activities.

4.4.4 The SCRA's performance against key targets shall be reported in the SCRA's annual report and accounts (see Section 5.1 below). Other forms of reporting performance to the public should also be considered.

4.5 Internal audit

4.5.1 The SCRA shall establish and maintain arrangements for internal audit in accordance with the Treasury's Government Internal Audit Standards (GIAS). The SCRA shall consult the sponsor

Department to ensure that the latter is satisfied with the competence and qualifications of the Head of Internal Audit and the requirements for approving appointment.

4.5.2 The SCRA shall arrange for periodic quality reviews of its internal audit in accordance with the GIAS. The sponsor Department shall consider whether it can rely on these reviews to provide assurance on the quality of internal audit. However, the sponsor Department reserves a right of access to carry out/commission independent reviews of internal audit in the SCRA.

4.5.3 The Scottish Executive's internal audit service shall also have a right of access to all documents prepared by the SCRA's internal auditor, including where the service is contracted out. The audit strategy, periodic audit plans and annual audit report, including the SCRA's Head of Internal Audit's opinion on risk management, control and governance shall be forwarded without delay to the sponsoring team who shall consult the Scottish Executive's Head of Internal Audit as appropriate.

4.5.4 The SCRA shall establish a Fraud Policy and Fraud Response Plan which will be submitted for approval to the sponsor Department. In addition, the SCRA shall forward to the sponsor Department an annual report on fraud and theft suffered by the SCRA; notify any unusual or major incidents as soon as possible. In addition, the SCRA shall notify any changes to its internal audit's or Audit Committee's terms of reference or its Fraud Policy and Fraud Response Plan.

4.6 Budgeting

4.6.1 The SCRA should inform the sponsor Department immediately of any significant change in estimated outturns. It is particularly important to have an accurate picture of expenditure and receipts towards the end of the financial year.

4.6.2 In advance of each financial year the sponsor Department will send to the SCRA a formal statement of its financial provision as approved by Scottish Ministers, together with a statement of any change in policies affecting the SCRA in the coming financial year. The notified provision will be subject to parliamentary approval and will represent a resource limit. Under resource accounting this provision will include "cash" and "non-cash" items.

4.6.3 As part of its annual plan, and taking account of its approved financial provision, the SCRA will prepare a budget of estimated payments and receipts, including a profile of expected expenditure and of drawdown of any grant in aid and other income over the year.

4.6.4 Once the budget has been approved by the sponsor Department and subject to any direction by Scottish Ministers and MS/FM, the SCRA will have authority to incur expenditure approved in the budget without further reference to the sponsor Department, on the following conditions:

- the SCRA will comply with the delegations set out in the financial memorandum attached to this document. These delegations may not be altered without the prior agreement of the sponsor Department;
- inclusion of any planned and approved expenditure in the SCRA's budget will not remove the need to seek formal Departmental approval where any proposed expenditure is outside the delegated limits or is for new schemes not previously agreed;
- the SCRA will provide the sponsor Department with such information about its operations, performance, individual projects or other expenditure as the sponsor Department may reasonably require;
- the SCRA will notify the sponsor Department immediately and formally if it becomes apparent at any time that an overspend of the estimates of its expenditure over the year, as voted by the Scottish Parliament, is likely to occur; and
- the SCRA will formally notify the sponsor Department if it is likely to underspend by more than the equivalent of 5 per cent of its total grant in aid.

4.6.5 The SCRA will also provide the sponsor Department with:

- a financial statement every month showing for each main budget heading – including non-cash provisions – the payments made and any receipts received in the previous month, together with the accumulated net payments to date and the balance of cash remaining available to the SCRA for the year;

- an analysis every month of financial outturn against forecasts of expenditure and income, indicating proposed action when necessary; and
- details of the outturn for the full financial year for each main budget heading.

5. EXTERNAL ACCOUNTABILITY

5.1 The annual report and accounts

5.1.1 After the end of each financial year the SCRA shall publish an annual report of its activities together with its audited annual accounts.

5.1.2 The report and accounts shall comply, so far as appropriate, with the Treasury document *The Government Financial Reporting Manual*. The accounts shall be prepared in accordance with the relevant statutes and the specific Accounts Direction issued by the Scottish Executive on behalf of the Scottish Ministers.

5.1.3 The report and accounts shall outline the SCRA's main activities and performance during the previous financial year and set out in summary form the SCRA's forward plans. Information on performance against key financial targets shall be included in the notes to the accounts, and shall therefore be within the scope of the audit.

5.1.4 The report and accounts shall be submitted in draft to the sponsor Department for comment and the final version shall be laid before the Scottish Parliament by the Scottish Ministers before 31 December. The accounts must not be laid before they have been formally sent by the Auditor General for Scotland (AGS) to the Scottish Ministers and *must not* be published before they have been laid. The SCRA shall be responsible for the publication of the report and accounts.

5.2 External audit

5.2.1 The AGS audits, or appoints auditors to audit the SCRA's annual accounts and passes them to the Scottish Ministers who shall lay them before the Scottish Parliament, together with the SCRA's

annual report. For the purpose of audit the AGS has a statutory right of access to documents and information held by relevant persons specified by an Order under section 24 of the Public Finance and Accountability (Scotland) Act 2000.

5.2.2 The SCRA shall instruct its auditors to send copies of all management letters and correspondence relating to those letters to the Sponsoring Division of the Department to whom the SCRA's replies should also be copied.

5.2.3 The Accounts Direction will specify the form and content of the accounts, the information to be contained in the statements, the manner in which the information is to be presented, and the principles according to which the statements are to be prepared. The current Direction is appended to this document.

5.2.4 Information on performance against key financial targets will be included in the notes to the accounts, and will therefore be within the scope of the audit.

5.3 VFM/3E examinations

5.3.1 The Public Finance and Accountability (Scotland) Act 2000 provides that the AGS may carry out examinations into the economy, efficiency and effectiveness with which the SCRA has used its resources in discharging its functions. For the purpose of these examinations the AGS has statutory access to documents and information held by relevant persons specified by an Order made under section 24 of that Act.

6. STAFF MANAGEMENT

6.1 Within the arrangements approved by the Scottish Ministers or set out in the body's legislation, the SCRA shall have responsibility for the recruitment, retention and motivation of its staff. To this end the SCRA shall ensure that:

- the recruitment of its staff is based on fair and open competition and equal opportunities;

- the level and structure of its staffing, including gradings and numbers of staff, is appropriate to its functions and the requirements of efficiency, effectiveness and economy;
- the performance of its staff at all levels is managed effectively and efficiently; they are satisfactorily appraised; and the SCRA's performance appraisal and promotion systems are reviewed from time to time;
- its staff are encouraged to acquire the appropriate professional, management and other expertise necessary to achieve the SCRA's objectives;
- proper consultation with staff takes place on key issues affecting them;
- adequate grievance and disciplinary procedures are in place;
- whistle-blowing procedures consistent with the Public Interest Disclosure Act are in place;
- a code of conduct for staff is in place based on the document *Model Code for Staff of Executive Non-Departmental Public Bodies*.

7. SCRA KEY PERFORMANCE INDICATORS AND KEY PERFORMANCE MEASURES (CORPORATE PLAN 2006-09)

The Scottish Ministers have approved the SCRA's Corporate Plan for 2006-09 and consider the following are the key strategic indicators and performance measures:

	Standard/ Baseline	2006/07 Target	2007/08 Target
SCRA Key Performance Indicators The average number of working days for referrals on offence grounds from receipt of referral to Hearing decision ¹	74 days	68 days	65 days
The average number of working days for referrals on non-offence grounds from receipt of referral to Hearing decision	130 days	130 days	128 days
The percentage of decisions on referrals made within 50 working days of receipt ²	60%	60%	65%
SCRA Key Performance Measures The percentage of Hearings scheduled to take place within 20 working days ³	90%	75%	77%
The percentage of Hearings scheduled to take place within 30 working days	New	90%	92%
The percentage of written notifications of referral outcomes sent to children and families within five working days ⁴	60%	60%	62%
The percentage of written notifications of referral outcomes sent to children and families within eight working days	New	75%	77%
The percentage of written notifications of Hearing decisions sent to children and families within five working days	60%	85%	87%
The percentage of written notifications of Hearing decisions sent to children and families within eight working days	New	91%	92%
The percentage of non-offence applications established at court	92%	95%	95%
The degree to which SCRA core properties comply with SCRA property standards	70%	75%	75%
The percentage of staff attendance	95.7%	95%	95%
The average number of days training per member of staff	5.1%	4 days	5 days
The percentage of expenditure that is within budget	95%	97%	97%

1 Based on the *Blueprint for the Processing of Children's Hearings Cases* (Scottish Executive, January 2001).

Progress against targets will require effective joint working between SCRA and its local authority partners

2 A standard from the *Blueprint for the Processing of Children's Hearings Cases*

3 A standard from the *Blueprint for the Processing of Children's Hearings Cases*

4 CIPD Public Sector industry average

5 CIPD Public Sector industry average

6 CIPD Public Sector industry average

7 Scottish Executive Financial Memorandum with SCRA sets a maximum 5% tolerance for carry forward on running costs

8. REVIEWING THE ROLE OF THE SCOTTISH CHILDREN'S REPORTER ADMINISTRATION

8.1 The sponsor Department will conduct a Policy and Financial Management Review (PFMR) of the SCRA at least every five years or at such other intervals as the sponsor Department may determine. Such reviews will be in two stages.

8.2 The initial stage of the review will focus on whether the SCRA continues to be required; whether NDPB status is correct; and whether the functions in question are being delivered in the most effective manner. As part of this examination there will be a thorough examination of the case for abolition; transferring all or part of the functions to another body; rationalisation privatisation; and continuation as an NDPB.

8.3 If it is decided that the SCRA should continue, the review will focus on the efficiency and effectiveness with which the SCRA carries out its activities; its financial and other management systems; and the efficiency and effectiveness of the Department's procedures for monitoring the SCRA's activities.

July 2007

ANNEX A: INFORMATION EXCHANGE PROTOCOL

Process	SCRA Target	Step(s) to be taken if not met	Sponsor Branch Target	Step(s) to be taken if not met
Corporate Plan Draft	Submit by end January	alert SB setting out reason for delay – new timetable	Respond within 20 working days	alert SCRA setting out reason for delay – new timetable
Corporate Plan Final	March	alert SB setting out reason for delay – new timetable	Respond within 10 working days	alert SCRA setting out reason for delay – new timetable
Corporate Plan Review	Twice yearly: August and May	alert SB setting out reason for delay – new timetable	Respond within 10 working days	alert SCRA setting out reason for delay – new timetable
Annual Business Plan	January – draft March – final	alert SB setting out reason for delay – new timetable	Comment by mid February	alert SCRA setting out reason for delay – new timetable
Annual Report	Draft between September – October	alert SB setting out reason for delay – new timetable	Comment/approval within 20 working days	alert SCRA setting out reason for delay – new timetable
Performance Against Targets	6-monthly reports to Board: update to SB within 6 weeks of end of 6-month period	alert SB setting out reason for delay – new timetable	Comment within 20 working days	alert SCRA setting out reason for delay – new timetable
Draft Accounts	Before end July	alert SB setting out reason for delay – new timetable	Consult colleagues within 2 working days; provide comment by end July	alert SCRA setting out reason for delay – new timetable
Statement of Accounts	Before end September	alert SB setting out reason for delay – new timetable	Acknowledge receipt within 2 working days ²	alert SCRA setting out reason for delay – new timetable
Pay Bargaining Plan	3 months before settlement date	alert SB setting out reason for delay – new timetable	Comment/approval within timescale set out by Pay Unit (SCRA to be advised as to timetable)	alert SCRA setting out reason for delay – new timetable
Negotiating Remit	Within 1 month of PBP being approved	alert SB setting out reason for delay – new timetable	Comment/approval within timescale set out by Pay Unit (timetable to be advised SCRA)	alert SCRA setting out reason for delay – new timetable
Contract Exception Report	Report submitted by end-April	alert SB setting out reason for delay – new timetable	Report to Ministers/ audit within 2 weeks	n/a

Scottish Ministers have a statutory obligation to lay the accounts in Parliament before the end of the calendar year.

ANNEX B: BUDGET MANAGEMENT AND MONITORING

BASIC POINTS FOR FINANCIAL MANAGEMENT

Good financial management should ensure that:

- staff in charge of delegated budgets, both for administration costs and programme expenditure, have clear guidance on the size of the budgets, what they may be used for and how far they can be varied;
- specific authority is obtained for expenditure beyond the approved purposes of delegated budget (even if the amount can be contained within the budget);
- expenditure is covered by statutory and Parliamentary (Budget Act) authority;
- actual expenditure is monitored against budgetary provision and corrective action taken if necessary;
- managers operating budgets have clear guidance as to whether the delegated budget authority carries with it delegated purchasing authority or whether the actual purchasing will be undertaken elsewhere;
- managers authorising the taking on of commitments e.g. ordering goods and services, making grant offers, on entering into contracts of work purchases, have clear guidance as to the extent of their delegated authority for individual cases;
- staff authorising commitments act in an even-handed manner, and are seen to do so;
- staff are aware that guarantees, indemnities and similar arrangements which may lead to public expenditure in the future (no matter how remote that possibility may appear) may not be entered into without specific authority;
- staff involved in authorising and making payments arising from commitments already made have clear instructions on the procedures they must follow including prepayment checks to be made;
- all desk instructions are up to date; that they provide for adequate separation of duties; and otherwise contain appropriate provisions to combat the possibility of fraud; and
- the operation of the procedures contained in desk instructions is monitored to ensure compliance and that it is working effectively.

**SCOTTISH
CHILDREN'S
REPORTER**

ADMINISTRATION

Financial Memorandum

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ANNEX B: ACCOUNTS DIRECTION

A1. INTRODUCTION

A1.1 This financial memorandum supplements the management statement. It sets out in greater detail certain aspects of the financial framework within which the Scottish Children's Reporter Administration (SCRA) is required to operate. The memorandum must be read in conjunction with the management statement.

A1.2 The terms and conditions set out in this memorandum may be supplemented by guidelines or directions issued by Scottish Ministers in respect of the exercise of any individual functions, powers and duties of the SCRA.

A1.3 The SCRA must satisfy the conditions and requirements set out in this memorandum and in the management statement, together with such other conditions as Scottish Ministers may from time to time impose, in order to continue to be entitled to grant in aid and any other form of Exchequer subvention.

A2. SCOTTISH CHILDREN'S REPORTER ADMINISTRATION'S INCOME

A2.1 Grant in aid

A2.1.1 Grant in aid will be paid to the SCRA in monthly instalments, on the basis of a written application from the SCRA showing evidence of need. The SCRA should submit a profile of expected need at the start of each financial year updated as and when requested/necessary.

A2.1.2 The SCRA's application should be signed by the SCRA's Director of Finance, or by a person notified by them to the sponsor Department as authorised to sign on the Director's behalf.

A2.1.3 The application must certify that conditions applying to the issue of grant in aid have been observed to date and that further grant in aid is now required for purposes appropriate to the SCRA's statutory functions.

A2.2 Fees and charges

A2.2.1 Fees or charges for services or goods supplied by the SCRA should be determined in accordance with the Fees and Charges Section of the Scottish Public Finance Manual (SPFM)

and should be set to recover full costs unless the sponsor Department and, where appropriate, the Treasury, agrees otherwise.

A2.2.2 Subject to the *Fees and Charges Guide* and to Government policy on selling into wider markets the SCRA should seek to maximise receipts from non-Exchequer sources where this is consistent with the SCRA's main functions and is in line with its Corporate Plan agreed with the sponsor Department.

A2.3 Proceeds from sales of land and buildings

A2.3.1 Disposals of land and buildings are dealt with in Section A7.2 below.

A2.4 Receipts in year

A2.4.1 If the receipts realised, or expected to be realised, in the year are less than estimated, the SCRA will ensure a corresponding reduction in its gross payments so that the authorised provision is not exceeded.

A2.4.2 If receipts realised or expected to be realised, in the year are more than estimated, the Board may apply to the sponsor Department to retain such excess income for specified additional expenditure within the current financial year, without an offsetting reduction to grant in aid. If an application is refused, the grant in aid may be reduced or alternatively the excess receipts can be surrendered to the Exchequer via the sponsor Department.

A2.5 Gifts and bequests received

The SCRA is free to retain any gifts, bequests or similar donations. These will be treated as receipts. The SCRA must keep a written record of gifts, bequests and donations, given and received, and of their estimated value and whether they are disposed of or retained.

A3. SCOTTISH CHILDREN'S REPORTER ADMINISTRATION'S EXPENDITURE – GENERAL PRINCIPLES

A3.1 Expenditure not proposed in the budget

The SCRA shall not, without prior Departmental approval, enter into any undertaking to incur any expenditure not provided for in the annual budget approved by the sponsor Department.

A3.2 Procurement of goods and services

The SCRA may acquire goods and services without the approval of the sponsor Department. It must do so in line with the guidelines on procurement set out in the SPFM and any other relevant guidance on procurement issued from time to time by the Scottish Executive (e.g. by the Scottish Procurement or the Building Divisions). The SCRA is responsible for complying fully and appropriately with its legal obligations, including, but not limited to the EC and WTO procurement rules.

A3.3 Value for money

The purpose of procurement is to meet the user's requirements. All expenditure proposals shall, so far as appropriate, be subject to the guidance in the Appraisal and Evaluation section of the SPFM. In accordance with the requirements of the SPFM, the SCRA must ensure that all purchases of works, equipment, goods and services are based on value for money, i.e. the optimum combination of whole life cost and quality (or fitness for purpose) and other issues such as delivery against price, to meet the user's requirements. It would not be consistent with value for money, or the equal treatment of suppliers, for procurement to be used to pursue aims unrelated to the subject of the contract. As far as possible, requirements should be expressed in terms of output and performance to provide scope for innovative solutions and avoid suggestions of favouritism.

A3.4 Competition

Contracts for goods and services should be awarded following competition, unless there are convincing reasons to the contrary, to promote economy, efficiency and effectiveness in public expenditure. Contracts of an ongoing nature should be

regularly reviewed and subjected to competition at appropriate intervals (usually no more than every 3 years, unless economic arguments clearly justify a longer contractual relationship). The form of competition chosen should be consistent with any legal requirements and appropriate to the value and complexity of the goods or services being acquired.

Wherever practical, the SCRA shall expose activities undertaken by its own employees to outside competition and arrange for them to be contracted out where this would provide improved value for money. The SCRA shall send to the sponsor Department, not later than one month after the end of each financial year, an exception report for that year, with reasons, listing those cases with a cost of over £5,000 in which competitive tendering was not employed or in which the lowest tender was not accepted. Where there is no exception to report, a confirmatory “nil return” should be sent.

A3.5 Assessment of contractors

Potential contractors should be assessed on grounds of suitability, for example in respect of their financial standing and ability to perform the contract (i.e. technical expertise). The SCRA should, wherever possible, seek opportunities to collaborate with others in respect of common requirements. This will help avoid unnecessary duplication of effort and gain the benefits of aggregation of requirements and economies of scale. If the SCRA wishes to enter into contracts under framework agreements put into place by others, it must seek advice as to whether the framework agreement has been awarded in accordance with the EC rules on behalf of other potential users.

A3.6 Separation of duties

There must be clear separation of duties between the roles of budget holder, customer, purchaser and those involved in making payments. The SCRA is, in accordance with the SPFM, responsible for ensuring that appropriate arrangements exist to ensure that staff involved in placing of contracts (“purchasers”) have the necessary skills and experience. Any arrangements

that the SCRA has in respect of granting staff delegated authority to award contracts should reflect this requirement. In all dealings with suppliers and potential suppliers, the SCRA must preserve the highest standards of honesty, integrity, impartiality and objectivity.

A3.7 Timeliness in paying bills

The SCRA should collect receipts and pay all matured and properly authorised invoices in accordance with the terms of contracts or within 30 days, as provided for in <http://intranet/content/fcsd/finance/standards/spfm/payments/index.htm> The SCRA should comply with the British Standard for Achieving Good Payment Performance in Commercial Transactions (BS 7890).

A3.8 Novel, contentious or repercussive proposals

The SCRA must obtain the approval of the sponsor Department:

- before incurring any expenditure for any purpose which is or might be considered novel or contentious, or which has or could have significant future cost implication, including on staff benefits;
- before making any significant change in the scale of operation or funding of any initiative or particular scheme previously approved by the sponsor Department; and
- before making any change of policy or practice which has wider financial implications (e.g. because it might prove repercussive among other public sector bodies) or which may significantly affect the future level of resources required.

The SCRA shall not establish subsidiary companies or joint ventures without the express approval of the sponsor Department. In judging such proposals the sponsor Department will have regard to the Scottish Ministers' wider strategic aims and objectives.

Any subsidiary company or joint venture controlled or owned by the SCRA shall be consolidated with it in accordance with UK GAAP for public expenditure accounts purposes subject to any

particular treatment required by UK GAAP. Unless specifically agreed with the sponsor Department such subsidiary companies or joint ventures shall be subject to the controls and requirements set out in the Management Statement/Financial Memorandum.

A3.9 Risk management

3.9.1 The SCRA shall ensure that the risks, which it faces, are dealt with in an appropriate manner, in accordance with relevant aspects of best practice in corporate governance, and shall develop a risk management strategy, in accordance with the Risk Management section of the SPFM.

3.9.2 The SCRA shall adopt and implement policies and practices to safeguard itself against fraud and theft, in line with the Fraud section of the SPFM.

3.9.3 The SCRA shall take all reasonable steps to appraise the financial standing of any firm or other body with which it intends to enter into a contract or to give grant or grant in aid.

A4. EXPENDITURE ON STAFF

A4.1 Staff costs

A4.1.1 Subject to its delegated levels of authority, the SCRA will ensure that the creation of any additional posts does not incur forward commitments which will exceed its ability to pay for them.

A4.2 Pay and conditions of service

A4.2.1 The staff of the SCRA, whether on permanent or temporary contract, will be subject to levels of remuneration and general terms and conditions of service (including superannuation) which have been approved by the Scottish Ministers.

A4.2.2 The travel expenses of Board members are paid at the Scottish Executive rate.

A4.2.3 The SCRA may operate a performance-related pay scheme. However, the annual aggregate pay budget must be approved by the sponsor Department and must be contained within the sponsor Department's administration budget.

A4.3 Pensions; redundancy/compensation

A4.3.1 The SCRA's staff will normally be eligible for pensions as admitted members of the Falkirk Council Pension Fund.

A4.3.2 Any proposal by the SCRA to move from the existing pension arrangements, or to pay any redundancy or compensation for loss of office, requires consultation with the sponsor Department and where appropriate the agreement of the Scottish Public Pensions Agency to promote the necessary amending legislation.

A4.4 Control of staff numbers

A4.4.1 The SCRA's staff costs will be subject to a ceiling approved by the sponsor Department. The ceiling may be varied from time to time to reflect changes in the scale of the SCRA's operations or functions. In such cases the new ceiling will be reflected in the running costs total. The SCRA will submit regular staff returns to the sponsor Department including a profiled assessment of the pay budget amended as necessary to reflect in-year pay settlements. The SCRA will operate a job evaluation and grading policy based on objective criteria and methodology. The SCRA will submit for Departmental approval a policy on establishment controls.

A4.4.2 Within the approved cost ceiling, the SCRA may create and regrade posts up to and including the maxima of the Scottish Executive Band C, Pay Range 1 grade scale except that specific Departmental approval is required for the following:

- any proposal to create a new post, or to regrade a post to/at a level which is not already represented in the staff structure;
- any proposal to regrade a post above and including the maxima of the Scottish Executive Band B, Pay Range 1 grade scale which is the only one at that particular grade within the staff structure;
- any proposal to regrade all posts at a particular grade.

A4.4.3 All proposals involving the creation of new or additional posts above Band C, Pay Range 1 level, or a substantive change of duties among existing posts, require specific Departmental approval.

A5. EXPENDITURE OTHER THAN ON STAFF

The SCRA shall not, without prior approval of the sponsor Department, enter into any undertaking to incur any expenditure, which falls outside the specific limits on its delegated authority as set out in the attached Annex A.

A5.1 Capital expenditure

A5.1.1 Capital expenditure is defined as expenditure on new construction, land, extensions or alterations to existing buildings and the purchase of any other fixed assets (e.g. fittings and equipment) including vehicles with an expected working life of more than one year.

A5.1.2 The SCRA may spend up to £100,000 on individual capital items (excluding motor vehicles) or projects; beyond that delegated limit, the sponsor Department's prior authority must be obtained before expenditure is incurred. (See also para A5.7 below on Public/Private Partnerships.)

A5.1.3 Applications to the sponsor Department for approval of large-scale projects should be supported by formal notification that appropriate consideration has been given, and the project duly authorised by the Board. Regular reports on the progress of such projects should be submitted to the sponsor Department.

A5.2 Virement

All transfers of budgetary provision from resource to capital budgets and from "cash" to "non-cash" headings require the approval of the sponsor Department. The presumption will be that no reserve transfers will be allowed. Other transfers between main budget headings may be undertaken without the prior approval of the sponsor Department subject to the conditions set out in A5.2.1. It should be noted that under the terms of RAB, from 2004-05 a penalty may be applied to any such virement between headings.

A5.2.1 The SCRA may reallocate (vire) funds between the headings in its budget without the sponsor Department's prior agreement, provided that no heading is increased or decreased by more than 10 per cent and provided that in aggregate the

SCRA's net payments do not exceed the total approved Budget. However, the staff costs ceiling heading may not be increased without the sponsor Department's agreement.

A5.3 Borrowing, lending, guarantees, indemnities and contingent liabilities (including letters of comfort)

A5.3.1 The SCRA shall not, without the sponsor Department's prior written consent, borrow (including temporary borrowing such as prearranged overdraft facilities), lend money, charge any asset or security, give any guarantee or indemnities or letters of comfort, or incur any other contingent liability (as defined in [http://intranet/content/departments/fcsd/finance/standards/contingent Liabilities/index.htm](http://intranet/content/departments/fcsd/finance/standards/contingent%20Liabilities/index.htm)) whether or not in a legally binding form.

A5.4 Grant or loan schemes

A5.4.1 All grant or loan schemes proposed by the SCRA must be approved by the sponsor Department before any payments are issued. Payments of grant or loan must be made properly and in accordance with the guidelines for the appropriate schemes.

A5.4.2 The SCRA shall ensure that any grants made to organisations which receive the major part of their funding from the SCRA are accompanied by appropriate conditions, including obligations to ensure that the books and records of such organisations are readily available for inspection by the sponsor Department.

A5.4.3 Please also see section A7.3 below "Recovery of grant-financed assets".

A5.5 Gifts; write-offs, losses and other special payments

A5.5.1 Proposals for making gifts or other special payments, including write-offs outside the SCRA's delegated limits, must have the prior approval of the sponsor Department. Gifts to staff are subject to <http://intranet/content/departments/fcsd/finance/standards/spfm/gifts/index.htm>.

A5.5.2 The SCRA has delegated powers to incur expenditure on these items as defined in the SPFM as follows:

Category of Loss	Limit
Cash loss, but excluding overpayments of salaries, wages, pensions and allowances	£1,000 in individual instances; annual aggregate limit of £5,000
Arising out of theft, fraud, arson or gross carelessness; includes cash equivalents e.g. stamps	£1,000 in individual instances; annual aggregate limit of £5,000
Stores and equipment losses	
Arising out of theft, fraud, arson, sabotage or gross carelessness; or through events such as fire, weather or accident	£1,000 in individual instances; annual aggregate limit of £5,000
Compensation payments	
Loss or damage to personal property whilst on duty	£1,000 in individual instances; annual aggregate limit of £5,000
Personal injuries	Nil
Special one-off payments to employees who have made suggestions which have led to improvements in working practices or in service delivery	£1,000 in individual instances; annual aggregate limit of £10,000

A5.5.3 The SCRA's role in the Children's Hearings system has developed to offer improved support to members of Children's Panels who often have to work in a difficult environment. In that regard, taking account of the assurance from the Scottish Ministers in respect of loss of earnings and dental costs, where it can be demonstrated that the member has incurred the loss in connection with their role as a member of the panel, the SCRA has delegated powers to incur expenditure as follows:

Category of Loss	Limit
Cash loss, including loss of salary, wages, pensions and allowances	Nil – where appropriate costs to be met by SEED under the terms of the Assurance from the Scottish Ministers
Loss or damage to personal property whilst on duty	See below
Arising out of theft, fraud, arson or gross carelessness; includes cash equivalents e.g. stamps	£1,000 in individual instances; annual aggregate limit of £5,000
Personal injuries	Nil – where appropriate costs to be met by SEED under the terms of the Assurance from the Scottish Ministers

Running Costs

- carry forward an excess of up to 5 per cent of running costs from one financial year to the next;
- dispose of any asset not exceeding £100,000 in value which has been purchased wholly or mainly with grant-in-aid funds; and
- write-off losses or sanction special payments not exceeding the amounts specified in Annex A of the financial memorandum.

Capital Expenditure

- incur capital expenditure not exceeding the current level of European threshold¹ on any individual item or group of items; and
- carry forward an excess of up to 10 per cent of programme expenditure from one financial year to the next.

Personnel

- settle the numbers of staff posts, their grades and salary levels having particular regard to paragraph A4 above within the structure approved by the Scottish Ministers from time to time and the running costs available.

In all other instances – and in any case of doubt – the SCRA should seek the sponsor Department's express authority.

¹ Public services contracts Regulations 1993 (SI 1993 No 3228) Public Supply Contracts Regulations 1995 (SI 1995 No 201)

A5.6 Leasing

A5.6.1 Before entering into any lease the SCRA must demonstrate that the lease offers better value for money than purchase.

A5.7 Public/Private Partnerships

A5.7.1 The SCRA should seek opportunities to enter into Public/Private Partnership where this is more cost effective than conventional procurement. The sponsor Department should be consulted in all such cases.

A5.7.2 The SCRA should also consult the sponsor Department in all cases where different cash flow projections may result in delegated spending authority being breached.

A5.8 Insurance

A5.8.1 The SCRA shall not take out any insurance without the prior approval of the sponsor Department, with the exception of third party insurance required by the Road Traffic Acts and any other insurance which is a statutory obligation.

A5.9 Financial investments

A5.9.1 The SCRA shall not make any financial investments without the prior approval of the sponsor Department.

A5.10 Unspent end-year balances of grant-in-aid

A5.10.1 The SCRA may not carry over unspent cash balances from its total grant-in-aid provision as authorised by the Scottish Parliament from one year to another without first submitting a request to their sponsor Department for consideration. Any request for carryover will be considered on its own merits. The expectation would always be that the Executive managed the grant prior to it leaving ED and made any adjustment to a future year payment if slippage in a project had occurred. The Executive would not expect the SCRA to accumulate unspent funds in its own accounts prior to use.

A5.10.2 The retained balances cannot be used to increase any of the various budget sub-heads by more than the limits set out in this document. Grant in aid not drawn down by the end of the financial

year will lapse. Under the Scottish Executive's end-year flexibility (EYF) arrangements the SCRA may, subject to the approval of the sponsor Department, carry forward from one financial year to the next, in part or in full, unused Departmental Expenditure Limit (DEL) budgetary provision. It is the SCRA's underspending in terms of the use of DEL budgetary provision rather than of grant in aid that will determine the level of EYF available to be carried forward. Subject to the provision at paragraph A.5.10.1 above, the SCRA must at the earliest opportunity submit to the sponsor Department any proposals for carrying forward budgetary provision. Any such proposals shall be considered by the sponsor Department in the light of competing priorities.

A6. BANKING; CASH MANAGEMENT

A6.1 Banking arrangements

A6.1.1 The SCRA's Principal Reporter is responsible for ensuring that the SCRA's banking arrangements are carried out efficiently, economically and effectively.

They should ensure:

- that these arrangements are suitably structured and represent value for money;
- that efficient and cost-effective methods are used for the transmission of money;
- that the SCRA's banking arrangements shall be kept separate and distinct from those of any other person, body or organisation;
- that these arrangements should be reviewed at least every two years, with a fundamental review, usually leading to market testing, at least every three to five years; and
- that sufficient information about banking arrangements is supplied to the Department's Accountable Officer to enable the latter to satisfy their own responsibilities.

A6.2 Cash balances

A6.2.1 Cash balances accumulated during the course of the year accumulated from grant in aid or other Exchequer funds should be

kept at the minimum level consistent with the efficient operation of the SCRA.

A6.3 Cash surpluses

A6.3.1 Any cash surpluses must be placed on deposit until it can be used. Interest earned by the SCRA on cash balances may be used to provide additional spending power subject to it being included in the approved budget.

A7. ASSET MANAGEMENT

A7.1 Register of assets

A7.1.1 The SCRA shall maintain an accurate and up-to-date register of its assets.

A7.2 Management and disposal of assets

A7.2.1 The SCRA shall at all times use its assets in the most cost-efficient manner, and dispose of those assets which are surplus to requirements. In order to facilitate the management of its capital and revenue expenditure on property the SCRA shall develop and maintain an Asset Management Plan to support its Property Strategy. Assets shall wherever practicable be sold by auction or competitive tender unless otherwise agreed by the sponsor Department.

A7.2.2 Subject to its delegated limits, the SCRA shall not without the sponsor Department's agreement dispose of any assets which have been purchased with (or improved or developed by) Exchequer funds. Where the Exchequer's due share from the disposal of such assets amounts to more than £1 million (or where the disposal has unusual features of which the Scottish Parliament should be aware) the receipts should be surrendered to the sponsor Department. See paragraph A7.2.4 below for details of receipts of less than £1 million.

A7.2.3 If the sponsor Department decides that the SCRA should have the benefit of these receipts the sponsor Department may seek to appropriate them in aid of a relevant increase in the grant in aid, for which it will obtain the Scottish Parliament's approval.

A7.2.4 If the sponsor Department decides that the receipts are to be retained by the sponsor Department then the income not applied

should be surrendered to the Scottish Consolidated Fund. Where the Exchequer's share is less than £1 million the receipts should be dealt with in line with the rules on surplus in-year receipts (see para A2.4.2 above).

A7.3 Recovery of grant-financed assets

A7.3.1 Where the SCRA has financed expenditure on capital assets by third parties, the SCRA should make appropriate arrangements to ensure that assets are not disposed of without the SCRA's prior consent.

A7.3.2 The SCRA shall therefore ensure that such repayment conditions are sufficient to secure the repayment of the Exchequer's due share of the proceeds of the sale, in order that funds may be surrendered to the sponsor Department.

A7.3.3 The SCRA shall ensure that if the assets created by any grants made by the SCRA cease to be used by the recipient of the grant for the intended purpose, a proper proportion of the value of the asset shall be repaid to the SCRA for surrender to the sponsor Department.

A7.3.4 The amounts recoverable under the procedures in paras A7.3.2 and A7.3.3 shall be calculated by reference to the current market value of the asset and in proportion to the Exchequer's original investment(s) in the asset.

A8. COMPLIANCE WITH INSTRUCTIONS AND GUIDANCE

A8.1 The SCRA shall comply with the instructions or guidance set out in:

- this Management Statement and Financial Memorandum;
- *Scottish Public Finance Manual*;
- *Non-Departmental Public bodies – a Guide for Departments* (the "NDPB Guide"), published by the Cabinet Office;
- the *Accounts Direction issued by the Scottish Ministers*;
- the *Government Internal Audit Manual*;
- the *Treasury's Fees and Charges Guide*;

- *Executive NDPBs – Annual Reports and Accounts Guidance*, issued by the Treasury;
- relevant *Dear Accountable Officer* letters;
- the Treasury guidance document *Regularity and Propriety*;
- other relevant instructions and guidance issued by the Scottish Executive and UK Departments;
- recommendations made by the Public Accounts Committee or other UK Parliamentary authority which have been accepted by the Scottish Parliament and which are relevant to the SCRA; and
- the *Procurement Policy Manual and Procurement Instruction Manual*.

A9. REVIEW OF FINANCIAL MEMORANDUM

A9.1 This financial memorandum together with the associated management statement will normally be formally reviewed **at least** every five years as part of the Policy and Financial Management Review (see Section 8 of the Management Statement). Both documents may be adjusted to reflect changes in Corporate Governance, policy and legislation as required. The next PFMR is planned for 2007.

July 2007

ANNEX A: SPECIFIC LIMITS ON DELEGATED AUTHORITY

Capital projects	£100k
Public/private partnerships	£0
Disposal of Assets	£100k
Grant/loan scheme	£0
Claims waived or abandoned, write-off of losses, special payments	See A.5.5.2 and A5.5.3
Carry forward – Capital – Revenue – Overall	10% of agreed programme expenditure 5% of agreed running costs 5% of agreed grant in aid
Financial Investments	£0

ANNEX B:

SCOTTISH CHILDREN'S REPORTER ADMINISTRATION
DIRECTION BY THE SCOTTISH MINISTERS

1. The Scottish Ministers, in pursuance of Section 136(3) of the Local Government Etc (Scotland) Act 1994, hereby give the following direction.
2. The statement of accounts for the financial year ended 31 March 2006, and subsequent years, shall comply with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual (FRm) which is in force for the year for which the statement of accounts are prepared.
3. The accounts shall be prepared so as to give a true and fair view of the income and expenditure and cash flows for the financial year, and the state of affairs as at the end of the financial year.
4. This direction shall be reproduced as an appendix to the statement of accounts. The direction given on 2nd October 2002 is hereby revoked.

Signed by Stella Perrott on 10th January 2006

Signed by the authority of the Scottish Ministers