

**All Committee meetings were cancelled with effect from 23rd March, 2020 due to the COVID-19 emergency.**

**The recommendations in this report were approved by an Executive Director of the Council, acting under delegated authority in terms of paragraph 2.1.1 of the Council's List of Officer Powers**

Approved by the Chief Executive – 13th April, 2020

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## COVID 19 Financial Governance Arrangements

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Report by: Elaine Muir, Head of Finance

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Wards Affected: All

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### Purpose

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The report seeks to set out temporary variations to the financial regulations in order to manage the financial consequences relating to the current emergency situation brought about by the COVID 19 pandemic. It also sets out other temporary measures put in place to assist the wider Community at this time.

### Recommendations

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Committee is asked to:

- Approve the temporary variations to the Financial Regulations as set out in section 2 of this report for a period of up to 6 months from date of this report
- Agree that decisions relating to any new arrangements for payments to or income from individuals, businesses or voluntary organisations are recommended by the Welfare Support Group, or its sub-group
- Note the further measures in Section 3 that have been implemented to assist the Community and that these will remain in place for up to 6 months

### Resource Implications

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Dealing with the emergency and critical responses resulting from the COVID 19 pandemic will have far reaching and potentially significant impact on the Council's finances and resources. This report seeks to ensure that whilst the organisation is operating in an emergency mode, that robust financial governance and financial management remains in place.

### Legal & Risk Implications

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The current situation poses significant financial risk if tight financial control is not in place. The Council must operate within the boundaries of the financial regulations agreed by the Council. However, some elements of the financial regulations need to be changed and adapted to ensure robust financial management continues during this emergency situation.

There will be pressure on the Council to assist individuals, suppliers and businesses in the coming months and it is necessary to adopt a clear and consistent approach from a financial perspective. There will also be a need to incur expenditure which is a result of the emergency situation but is out-with the approved budget.

### Impact Assessment

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An EQIA is not appropriate as the scheme is designed to assist all relevant businesses.

### Consultation

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Consultation has taken place both at a local level with CET and with relevant services to understand the range of financial consequences and implications.

## 1.0 Background

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- 1.1 The Council is required by statute to make proper arrangements for its financial management and has in place approved Financial Regulations to ensure good financial management of the Councils resources. They apply to every Member and employee of the Authority.
- 1.2 The Financial Regulations set out parameters and guidance to allow staff to carry out their jobs in an efficient manner and to reduce risk of accusations of impropriety. However, in the current emergency situation there are a number of areas whereby there is a need to either depart from normal practice or where the current regulations do not permit actions that may be necessary due to the extraordinary set of circumstances in which the Council is operating.
- 1.3 This report is provided to detail proposed temporary changes to the Financial Regulations and to highlight some areas where normal operations have been adapted and the reasons for this.
- 1.4 Section 1.1.3 of the current Financial Regulations states that “Any variations from the requirements of these financial regulations need to be agreed in advance and in writing with the Executive Director Finance and Corporate Services.” This report contains proposed variations.
- 1.5 It is also proposed that variations are agreed for a period of up to six months at which time these variations to the Financial Regulations are removed unless an extension is agreed by means of a further report.

## 2.0 Temporary Variations to the Financial Regulations

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### Expenditure Out-With Approved Budget

- 2.1 The Financial Regulations require that the revenue budget is set taking accounting of all known future cost implications and as such the budget has been set based on a business as usual scenario and could not have predicted the level of change currently being experienced. The regulations authorise Executive Directors incur expenditure in line with the heads of expenditure shown in the published financial plans. Expenditure is not permitted where there is no provision within the revenue budget.
- 2.2 However, section 3.3.5 of the regulations permits expenditure which is essential to meet immediate needs created by a sudden emergency subject to being reported to the Chief Executive of the Executive Director and as soon as possible thereafter to the Executive Director Finance and Corporate Services.
- 2.3 Given that the current emergency impacts on all areas of the organisation it is proposed that section 3.3.5 is replaced as follows:

*“Expenditure which is in excess of that authorised within the revenue budget, and is essential to meet immediate needs created by a sudden emergency, or which is referable to Section 84 of the 1973 Act, may be incurred subject to prior authorisation, in writing, by the Executive Director Finance and Corporate Services or the Chief Executive prior to commitment of additional expenditure.”*

- 2.4 Judgement will need to be applied and Directorates will be required to take support and advice from the Finance Service to assist in determining additional expenditure that is likely to be out with that provided for in the revenue budget. Prior to authorisation, reasonable and proportionate due diligence will be carried out by Finance Business Partners that will support decision making. Authorisation should be obtained prior to placing any orders for goods or services that are deemed out with the approved revenue budget.
- 2.5 Given that additional funding has been granted to Local Authorities to help cope with the likely financial consequences, and this additional funding does not form part of the approved revenue budget and is emergency in nature, the new section 3.3.5 will apply and authorisation will be required where expenditure is to be committed against these funding sources. Close monitoring of commitments against these funding sources will also be carried out.
- 2.6 For avoidance of doubt, the guidance set out in the Financial Regulations applies to all Council staff, including those involved in partnerships such as Health and Social Care. It is likely that additional funding will be approved as part of a Mobilisation Plan for Health & Social Care and again, this additional funding is emergency in nature and out with the approved budget and as such the new section 3.3.5 will also apply. Close monitoring of these costs will be carried out in conjunction with the IJB CFO and NHS Fife and reported to the Scottish Government on a weekly basis.
- 2.7 Records of each decision will be retained by the Finance Service and may be subject to any future audit.

#### Supplier Relief Scheme

- 2.8 In response to the current situation and to assist suppliers who are critical to the operation of the Council when a business as usual position returns, a Supplier Relief Scheme has been developed and agreed. As part of this scheme the occasion may arise where a payment to a supplier is approved either in advance of goods or services being received or without goods or services being received. A set of criteria and a clear decision making process has been created to deal with this.
- 2.9 However, the Council's Financial Regulations do not currently permit payments to be made for services or supplies that are not delivered. However, to give effect to the Supplier Relief Scheme, the Executive Director - Finance and Corporate Services will vary the Financial Regulations temporarily, with immediate effect, to facilitate payments being made under the Scheme.
- 2.10 It is proposed that section 4.5.3 is amended to read:

*“The Council’s payment terms are 30 days from receipt of an appropriate invoice, with payment by B.A.C.S. Staff should determine whether goods/services have been received, and retain evidence of satisfactory delivery. Payment may also be made to suppliers following authorisation of payment as part of the Supplier Relief Scheme so long as evidence of that authorisation is provided before payment is made. Any exceptions to this must be approved, in advance, by the Executive Director Finance and Corporate Services”.*

### Delegated Decisions

- 2.11 Section 1.3.5 requires that the Executive Director Finance and Corporate Services be consulted on all reports to Committee which have financial implications. In the absence of Committee meetings being held this requirement will change as follows:

*“The Executive Director Finance and Corporate Services shall be consulted by Executive Directors on all reports to Committee and all reports requiring a delegated decision which may have financial implications. The Executive Director Finance and Corporate Services must be satisfied that the financial implications are adequately and fully explained within each report before any decision is taken.”*

- 2.12 In practice normal processes should be followed in that reports requiring a decision are reviewed and necessary financial due diligence carried out by the Finance Service prior to finalising any such reports.

### Further Variations

- 2.13 Given the nature of the current situation is fast paced and constantly changing and evolving, further situations could arise that will require additional variations to the financial regulations. This will be kept under review in the coming weeks and months and any further variations will be brought forward for further decision.

## **3.0 Other Temporary Measures/Actions**

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- 3.1 As a result of the current pandemic and the ‘lockdown’ situation, the impact on individuals, our communities and businesses is proving to have a major impact financially. There are some positive measures and actions that have been taken that, whilst are still within the guidance of the financial regulations will have an impact on the Council’s financial position to a certain degree. These were seen as necessary and emergency steps to ease the burden on the the community as a whole.
- 3.2 Firstly, a wider Welfare Support Group has been formed and group membership is from across a range of Council Services. The group is Chaired by the Head of Revenue and Commercial Services and has been set up to co-ordinate and agree consistent approaches to support for individuals, businesses and the voluntary sector. The remit of this group has been scoped out and it has been agreed that the remit should also now include oversight and decision making in relation to payments to or income from individuals, businesses or the voluntary sector for goods and services, where new or special arrangements need to be put in place. The first example of this being the Supplier Relief Scheme. It is anticipated that there will be others.
- 3.3 In recognition that in some cases where money is due to the Council, for example, Council Tax, Housing rents or business rents, a decision has been taken to delay any debt recovery processes for a temporary period of up to six months. This will allow those who can afford to pay, to pay and will allow a deferral of money due from those who can not afford to pay. This is a clear policy of deferral rather than abatement and will bring some financial risk to the Council, particularly where businesses do not survive the pandemic. Debt recovery processes may need to be reviewed as the temporary measures are lifted.

- 3.4 Whilst the financial regulations allow for payment terms to suppliers of 30 days, a commitment has been made to pay suppliers as soon as possible after goods and services have been received. This will provide some form of assistance for suppliers in relation to their cash flow as money will be transferred to them at the earliest opportunity. This will have an impact on the Council's cash flow, however, this can be managed in the short term and should have a marginal impact. Again, this is a temporary measure for up to six months at which time processes will revert to business as usual unless a further report alters this position.
- 3.5 Additional reporting is being put in place to capture all of the additional financial consequences for the Council as well as capturing all of the decisions made in this regard. The financial consequences will be far ranging and in some cases significant. Directorates are being asked to work with the Finance Service to ensure all consequences are captured and this will be updated every two weeks and shared with COSLA and CET. Guidance on this is being shared periodically with Directorates as required. This will continue as long as additional financial consequences are still being identified.
- 3.6 As the demand for certain items has increased significantly and supply is causing a challenge, there is a likelihood that suppliers will look for payment upfront to secure such stocks. Where required to do so, authority is still required to be sought. However, there is protection via the use of purchase cards as recovery action can be made if goods are not received therefore this is a preferred option to payment in advance. The Scottish Procurement Policy Note SPPN/05 states that the use of procurement/payment cards should be used where possible to ensure businesses are paid as quickly as possible. The controls in place around purchasing cards remain valid but the council has increased limits upon request and where appropriate on this basis. As such, there are a number of transactions that would otherwise be ordered through normal business process in response to this crisis.

## 4.0 Conclusions

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- 4.1 To continue operating in the current emergency situation some temporary variations to the Financial Regulations are required. These are set out in the report above and are intended to be in place for up to six months.
- 4.2 Some further positive measures have been put in place to assist the wider Community and the Council. These are also set out above.
- 4.3 Given the uncertain and changing nature of the way the Council is currently operating, it might be necessary to implement further variations to the financial regulations or to implement different working practices that have a financial consequence. This will be kept under review and further report will be produced where necessary.

### Background Papers

- Fife Council Financial Regulations – March 2018  
<http://publications.fifedirect.org.uk/c64%5FFinancialRegulations1%2Epdf>

### Report Contact

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## Appendix 1: Equality Impact Assessment Summary Report

<b>Which Committee report does this IA relate to (specify meeting date)?</b> Policy and Coordination Emergency Sub-Committee (date tbc)
<b>What are the main impacts on equality?</b> Impacts will be positive supporting tenants through the Covid-19 emergency
<b>What are the main recommendations to enhance or mitigate the impacts identified?</b> Not applicable.
<b>If there are no equality impacts on any of the protected characteristics, please explain.</b> There will be no direct impacts on equality groups. Although some may benefit from the support, it will be applied irrespective of equality considerations.
<b>Further information is available from: Name / position / contact details:</b> John Mills, Head of Housing Services