

COMMITTEE:	East Lothian Council
MEETING DATE:	28 April 2026
BY:	Depute Chief Executive – Resources and Economy
REPORT TITLE:	Review of East Lothian Council's Financial Regulations
REPORT STATUS:	Public

1 PURPOSE OF REPORT

- 1.1 To seek approval of revisions to East Lothian Council's Financial Regulations.

2 RECOMMENDATIONS

Members are recommended to:

- 2.1 Approve the proposed revised East Lothian Council Financial Regulations.

3 BACKGROUND

- 3.1 The Council's Financial Regulations are designed to guide the development of effective financial administration throughout the Council. The Financial Regulations, which form Supporting Document A to Standing Orders, have not been subject to review since 2011.
- 3.2 Officers have now undertaken a thorough review of the Financial Regulations, and the revised document is attached at Appendix 1.
- 3.4 If approved, the revised Financial Regulations will come into effect on 29 April 2026, and the updated document will be incorporated into the wider suite of Standing Orders documents and published on the Council's website.

4 POLICY IMPLICATIONS

- 4.1 The Financial Regulations guide all aspects of the Council's financial administration, including financial management and planning, risk management and controls, and systems and processes.

5 RESOURCE AND OTHER IMPLICATIONS

- 5.1 Finance: None
- 5.2 Human Resources: None
- 5.3 Other (e.g. Legal/IT): None
- 5.4 Risk: None

6 INTEGRATED IMPACT ASSESSMENT

- 6.1 **Select the statement that is appropriate to your report by placing an 'X' in the relevant box.**

An Integrated Impact Assessment screening process has been undertaken and the subject of this report does not affect the wellbeing of the community or have a significant impact on: equality and human rights; tackling socio-economic disadvantages and poverty; climate change, the environment and sustainability; the Council's role as a corporate parent; or the storage/collection of personal data.

or

The subject of this report has been through the Integrated Impact Assessment process and impacts have been identified as follows:

Subject	Impacts identified (Yes, No or N/A)
Equality and human rights	
Socio-economic disadvantage/poverty	
Climate change, the environment and sustainability	
Corporate parenting and care-experienced young people	
Storage/collection of personal data	

Subject	Impacts identified (Yes, No or N/A)
Other	

[Enter information on impacts that have been identified]

The Integrated Impact Assessment relating to this report has been published and can be accessed via the Council's website:

https://www.eastlothian.gov.uk/info/210602/equality_and_diversity/12014/integrated_impact_assessments

7 APPENDICES

7.1 Appendix 1 – proposed revised Financial Regulations

8 BACKGROUND PAPERS

8.1 East Lothian Council Standing Orders

9 AUTHOR AND APPROVAL DETAILS

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Date	25 March 2026

Head of Service Approval

Name	Sarah Fortune
Designation	Depute Chief Executive – Resources and Economy, and Chief Financial Officer
Confirmation that IIA and other relevant checks (e.g. finance/legal) have been completed	Confirmed
Approval Date	15 April 2026

Supporting Document A



FINANCIAL REGULATIONS

~~10 February 2011~~ 23 March 2026

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1. Introduction

- 1.1 “Every local authority shall make arrangements for the proper administration of their financial affairs and shall secure that the proper officer of the authority has responsibility for the administration of those affairs” (Local Government (Scotland) Act 1973 Section 95)
- 1.2 The Council has adopted Standing Orders to govern its business. ~~Standing Order 50 Appendix 2 – Scheme of Delegation of the Standing Orders specifies~~ identifies the ~~Head of Finance~~ Depute Chief Executive – Resources & Economy as the proper officer with the responsibility for the administration of its financial affairs (Chief Finance Officer).
- 1.3 These Financial Regulations have been designed to guide the development of good financial administration throughout the Council and any partnership in which the Council participates.
- 1.4 To conduct its business efficiently, the Council needs to ensure that it has sound financial management processes in place and that they are rigorously followed by everyone. The Council is also committed to innovation provided that risk assessment is undertaken and necessary safeguards are in place.
- 1.5 The financial regulations provide clarity about the financial accountabilities of individuals – Councillors, the Chief Executive, the Head of Law & Licensing Corporate Support, the ~~Head of Finance~~ Chief Finance Officer and other senior officers.
- 1.6 Beyond the scope of this document, the financial regulations link with other internal regulatory documents forming part of the Council’s governance framework. For example procurement policies and procedures, the schemes of delegation and codes of conduct, ~~which may include specific issues such as use of the Internet~~. There are also more detailed Statements of Current Working Method which supplement the Regulations and carry the status and authority of these Regulations.
- 1.7 The financial regulations take effect through financial processes that regularly change. The ~~Head of Finance~~ Chief Finance Officer will maintain and update Statements of Current Working Method for each of the main financial processes. Senior Officers ~~Senior officers~~ are responsible for ensuring that their teams follow current working methods and for proposing amended and alternative methods to the ~~Head of Finance~~ Chief Finance Officer should new opportunities for improved efficiency and effectiveness arise.

2. Status of Financial Regulations

- 2.1 Financial regulations provide the framework for managing the Council's financial affairs. They apply to every elected member and officer of the Council and anyone acting on its behalf. They cover all of the financial activities of the Council including Common Good, Trust and Schools Funds.
- 2.2 The regulations identify the financial responsibilities of the ~~full~~ Council and Cabinet, statutory officers and other senior officers. ~~Senior officers~~ Heads of Service should maintain a record where decision making has been delegated to their staff, including seconded staff. Where decisions have been delegated or devolved to other responsible officers, such as Head Teachers, references to the senior officer in the regulations should be read as referring to them.
- 2.3 All elected members and staff have a general responsibility for taking reasonable action to ensure the security of the assets under their control, and for ensuring that the use of these resources is legal and achieves best value.
- 2.4 The ~~Head of Finance~~ Chief Finance Officer is responsible for reviewing the financial regulations and submitting any additions or changes necessary to ~~the full~~ Council for approval. The ~~Head of Finance~~ Chief Finance Officer is also responsible for reporting significant breaches of the financial regulations to the Council's Audit & Governance Committee.
- 2.5 Heads of Service ~~Senior officers~~ are responsible for ensuring that all relevant staff in their departments are aware of the existence and content of the Council's financial regulations and other internal regulatory documents and that they comply with them. For the purpose of this paragraph "relevant staff" comprise those staff whose work activities are directly governed by the terms of the financial regulations and those other internal regulatory documents and as such require to have knowledge of, and in their work comply with, said financial regulations and documents.
- 2.6 Senior officers include the chief executive, directors, heads of service, ~~business group~~ service managers and ~~business unit~~ team managers. Also included are any staff that have financial responsibilities delegated to them by a senior officer.
- 2.7 The ~~Head of Finance~~ Chief Finance Officer is responsible for issuing advice and guidance to underpin the financial regulations that elected members, officers and others acting on behalf of the Council are required to follow.

3. Financial Regulations

A: FINANCIAL MANAGEMENT

INTRODUCTION

A.1 Financial management covers all financial accountabilities in relation to the running of the Council, including the policy framework and budget.

~~THE FULL COUNCIL~~

A.2 ~~The full~~ Council is responsible for adopting the Council's governance framework ~~and elected members' code of conduct~~ and for approving the budget. It is also responsible for approving and monitoring compliance with the Council's overall framework of accountability and control. The framework is set out in the Standing Orders. ~~The full~~ Council is also responsible for monitoring compliance with the agreed policy.

A.3 ~~The full~~ Council is responsible for approving procedures for recording and reporting decisions taken. This includes those key decisions delegated by and decisions taken by the Council, the Cabinet and other committees. These delegations and details of who has responsibility for which decisions are set out in the Standing Orders.

CABINET AND OTHER COMMITTEES

A.4 These committees are responsible for approving the policy framework for the responsibilities that are delegated to them by the Council.

~~A.5 These committees are also responsible for establishing protocols to ensure that councillors and senior officers consult with relevant councillors and officers before taking a decision within their delegated authority. In making a delegated decision, the individual must take account of legal and financial liabilities and risk management issues that may arise from the decision.~~

THE STATUTORY OFFICERS

Head of Paid Service

A.6A.5 The Head of Paid Service is responsible for the corporate and overall strategic management of the Council as a whole, including establishing a framework for management direction, style and standards and for monitoring the performance of the organisation.

A.7A.6 The Head of Paid Service is responsible for advising the Cabinet or ~~full~~ Council about whether a decision is likely to be considered contrary or not wholly in accordance with the policy framework.

A.8A.7 The Head of Paid Service is responsible for maintaining an up-to-date governance framework.

Monitoring Officer

A.9A.8 The Monitoring Officer, together with the Chief Finance Officer, is responsible for advising ~~the full~~ Council about whether a decision or the absence of a decision is likely to be considered contrary or not wholly in accordance with the budget. Actions that may be 'contrary to the budget' include:

- initiating a new policy
- committing expenditure in future years to above the budget level
- causing the total expenditure financed from council tax, grants and corporately held reserves to increase, or to increase by more than a specified amount.

Chief Social Work Officer

A.10A.9 The Chief Social Work Officer (CSWO) is responsible for “the provision of effective, professional advice to local authorities – elected members and officers - in the authorities’ provision of social work services” (Section 5(1) of the Social Work Act (Scotland) 1968). The financial management of the Council may have a significant impact on the provision of social work services and the CSWO will be consulted as part of making significant changes to financial arrangements e.g. in budget setting.

Chief Finance Officer

A.11A.10 The Chief Finance Officer has statutory duties in relation to the financial administration and stewardship of the Council. This statutory responsibility cannot be overridden. The statutory duties arise from:

- Section 95 of the Local Government (Scotland) Act 1973
- Sections 12-14 of the Local Government in Scotland Act 2003

A.12A.11 The Chief Finance Officer is responsible for:

- promoting and maintaining high standards of financial conduct.
- the proper administration of the Council’s financial affairs
- setting and monitoring compliance with financial management standards
- advising on the corporate financial position and on the key financial controls necessary to secure sound financial management
- providing financial information
- preparing the revenue budget and capital investment plan

- treasury management.

OTHER OFFICERS

A.13A.12 Senior officers are responsible for:

- ensuring that elected members are advised of the financial implications of all proposals and that the financial implications have been agreed with the ~~Head of Finance~~Chief Finance Officer.
- signing contracts on behalf of the Council.

A.14A.13 It is the responsibility of ~~senior officers~~Heads of Service to consult with the ~~Head of Finance~~Chief Finance Officer and with the ~~Head of Law and Licensing~~Corporate Support to seek approval on any matter liable to significantly affect the Council's finances or legal obligations before any commitments are incurred.

OTHER FINANCIAL ACCOUNTABILITIES

Virement

A.15A.14 Senior officers are responsible for notifying the ~~Head of Finance~~Chief Finance Officer of any in-year virements required.

Treatment of year-end balances

A.16A.15 The ~~Head of Finance~~Chief Finance Officer is responsible for carrying forward under- and over-spending in accordance with any policies approved by ~~full~~ Council.

Accounting policies

A.17A.16 The ~~Head of Finance~~Chief Finance Officer is responsible for selecting accounting policies and ensuring that they are applied consistently.

Accounting records and returns

A.18A.17 The ~~Head of Finance~~Chief Finance Officer is responsible for determining the accounting procedures and records for the Council.

The annual statement of accounts

A.19A.18 The ~~Head of Finance~~Chief Finance Officer is responsible for ensuring that the annual statement of accounts is prepared in accordance with all accounting standards applicable at that time. The ~~full~~ Council Audit & Governance Committee is responsible for approving the annual statement of accounts following external audit.

B: FINANCIAL PLANNING

INTRODUCTION

- B.1** ~~The full~~ Council is responsible for agreeing the Council's policy framework and budget. In terms of financial planning, the key elements are:
- the setting of the Council Tax and the associated budgets on an annual cycle in accordance with legislation
 - the setting of council house rents and the associated budgets on a cycle determined by the Council
 - the capital investment plan
 - treasury management strategy

POLICY FRAMEWORK

- B.2** ~~The full~~ Council is responsible for approving the policy framework and budget. The council policy framework includes the following key plans:
- ~~corporate plan~~ Council plan
 - ~~single outcome agreement~~ Financial & Capital Strategies
 - ~~asset management plan~~ Treasury Management & Investment Strategy
 - Asset management plan
~~capital investment plan~~
- B.3** ~~The full~~ Council is also responsible for approving changes to budgets, plans and strategies that form the budget or policy framework.
- B.4** The Cabinet is responsible for taking in-year decisions on resources and priorities in order to deliver the policy framework within the financial limits set by ~~the full~~ Council.

Preparation of the corporate plan and single outcome agreement

- B.5** The Chief Executive is responsible for submitting the ~~corporate~~ Council pPlan ~~and single outcome agreement~~ to ~~the full~~ Council for approval.

Preparation of the asset management plan

- B.6** The ~~Executive Director of Community Services~~ Depute Chief Executive – Resources & Economy is responsible for preparing and submitting the asset management plan (AMP) to ~~the full Council~~ Cabinet for approval.

Preparation of the capital investment plan

- B.7** The Head ~~of Finance~~Chief Finance Officer is responsible for ensuring a capital investment plan is prepared for approval by ~~the full~~ Council and that any consequent revenue costs are incorporated into the budget.

BUDGETING

Budget format

- B.8** The format of the budget will be approved by ~~the full~~ Council following receipt of the advice of the ~~Head of Finance~~Chief Finance Officer.

Budget preparation

- B.9** The ~~Head of Finance~~Chief Finance Officer is responsible for ensuring that a detailed revenue budget for the forthcoming year is prepared on an annual basis and presented to Council and a general revenue plan on a three-yearly basis along with high level medium term plans consistent with the financial strategy. is submitted to the full Council.
- B.10** The ~~Head of Finance~~Chief Finance Officer is responsible for issuing annual guidance on the content of the budget and the timetable for its preparation.

Budget monitoring and control

- B.11** The ~~Head of Finance~~Chief Finance Officer is responsible for providing appropriate financial information to enable budgets to be monitored effectively. The ~~Head of Finance~~Chief Finance Officer must monitor expenditure and income against budget and report on the overall position on a regular basis.
- B.12** It is the responsibility of senior officers to control income and expenditure within their area and to monitor performance, taking account of financial information provided by the ~~Head of Finance~~Chief Finance Officer. They should act on variances within their own areas, taking any action necessary to avoid exceeding their budget allocation and alert the ~~Head of Finance~~Chief Finance Officer to any significant problems.

Guidelines

- B.13** Guidelines on budget preparation are ~~issued~~provided to elected members and ~~senior officers~~Heads of Service by the ~~Head of Finance~~Chief Finance Officer. The guidelines will take account of:
- legal requirements
 - medium-term planning prospects
 - available resources
 - spending pressures
 - relevant government guidelines

- relevant internal policy documents.

MAINTENANCE OF RESERVES

B.14 It is the responsibility of the ~~Head of Finance~~Chief Finance Officer to advise ~~the~~
~~full~~ Council on prudent levels of reserves for the Council.

C: RISK MANAGEMENT AND CONTROL OF RESOURCES

INTRODUCTION

- C.1** It is essential that robust, integrated systems are developed and maintained for identifying and evaluating all significant strategic and operational risks to the Council. This should include the participation of all those associated with planning and delivering services.

RISK MANAGEMENT

- C.2** ~~The full Council~~ The Cabinet is responsible for approving the Council's risk management strategy and the Audit & Governance Committee is responsible for reviewing the effectiveness of risk management.
- C.3** The Head of ~~Governance & Performance Management~~Communities is responsible for preparing the Council's risk management strategy and policies and for promoting them throughout the Council. ~~The Head of Finance is responsible and for~~ advising the Cabinet on proper insurance cover where appropriate.

INTERNAL FINANCIAL CONTROL

- C.4** Internal financial control refers to the systems of control devised by management to help ensure the Council's objectives are achieved in a manner that promotes economical, efficient and effective use of resources and that the Council's assets and interests are safeguarded.
- C.5** The ~~Head of Finance~~Chief Finance Officer is responsible for advising on effective systems of internal financial control. These will aim to ensure that public funds are properly safeguarded and used economically, efficiently, and in accordance with the statutory and other authorities that govern their use.
- C.6** It is the responsibility of senior officers to establish sound arrangements for planning, appraising and controlling their operations in order to achieve continuous improvement, economy, efficiency and effectiveness.

AUDIT REQUIREMENTS

- C.7** The statutory requirement placed upon the Council to ensure proper administration of financial affairs encourages the ~~maintainancemaintenance~~ maintenance of an effective internal audit function.

- C.8** The Accounts Commission is responsible for appointing external auditors to each local authority. The basic duties of the external auditor are governed by the Local Government (Scotland) Act 1973 and the Public Finance and Accountability (Scotland) Act 2000.
- C.9** The Council may, from time to time, be subject to audit, inspection or investigation by external bodies such as HM Revenues & Customs, which have statutory rights of access.

PREVENTING FRAUD AND CORRUPTION

- C.10** The ~~Head of Governance & Performance Management~~Service Manager – Internal Audit is responsible for the development and maintenance of an anti-fraud and anti-corruption policy.
- C.11** Senior officers are responsible for promptly dealing with any financial irregularities, through normal disciplinary processes where employees are involved or through contractual processes where suppliers are involved. In cases of exceptional complexity, Internal Audit may be able to assist in the investigation. A financial irregularity is something a council officer or supplier has done in their work that either leads to a financial loss for the Council that should have been avoided and/or a gain for the employee or supplier that they should not have taken.

ASSETS

- C.12** Senior officers should ensure that records and assets are properly maintained and securely held. They should also ensure that contingency plans for the security of assets and continuity of service in the event of disaster or system failure are in place.

TREASURY MANAGEMENT

- C.13** The Council has adopted CIPFA's *Treasury Management in the Public Services: Code of Practice* ~~2009~~2021.
- C.14** ~~The full~~ Council is responsible for approving the treasury management policy statement setting out the matters detailed in the *Treasury Management in the Public Services: Code of Practice* ~~2009~~2021.
- C.15** All decisions on borrowing, investment or financing shall be delegated to the ~~Head of Finance~~Chief Finance Officer, who is required to act in accordance with CIPFA's *Treasury Management in the Public Services: Code of Practice* ~~2010~~2021 and the *The Local Government Investments (Scotland) Regulations 2010*.

Staffing

- C.16** The Chief Executive is responsible for determining how officer support within the Council will be organised.

C.17 The Chief Executive is responsible for overall framework for the management of staff. The Chief Executive is also responsible for ensuring that there is proper use of the evaluation or other agreed systems for determining the remuneration of a job.

C.18 Senior officers are responsible for controlling total staff numbers by:

- adjusting the staffing to a level that can be funded and sustained within approved budget provision, varying the level as necessary within that constraint in order to meet changing operational needs
- the proper use of appointment procedures.

D: SYSTEMS & PROCESSES

INTRODUCTION

- D.1 Well designed and functional systems and processes are essential to an effective framework of financial accountability and control.

GENERAL

- D.2 The ~~Head of Finance~~Chief Finance Officer is responsible for the operation of the Council's accounting systems, the form of accounts and the supporting financial records. Any significant changes made by senior officers to the existing financial systems or the establishment of new systems must be approved by the ~~Head of Finance~~Chief Finance Officer. However, senior officers are responsible for the proper operation of financial systems and processes in their own departments.
- D.3 Any proposals from senior officers for changes to current working methods to meet specific service needs should be agreed with the ~~Head of Finance~~Chief Finance Officer.
- D.4 Senior officers should ensure that their staff receive relevant financial training.
- D.5 Senior officers must ensure that, where appropriate, computer and other systems are registered in accordance with data protection legislation. Senior officers must ensure that staff are aware of their responsibilities under both the Data Protection Act 1998 and the Freedom of Information (Scotland) Act 2003.

INCOME AND EXPENDITURE

- D.6 It is the responsibility of ~~senior officers~~Heads of Service to ensure that a proper scheme of delegation has been established within their area and is operating effectively. The scheme of delegation should identify staff authorised to act on the senior officer's behalf in respect of payments, income collection and placing orders, together with the limits of their authority.
- D7. The Cabinet is responsible for approving procedures for writing off debts.

PAYMENTS TO EMPLOYEES AND ELECTED MEMBERS

- D.8 The Head of ~~Finance~~Corporate Support is responsible for all payments of salaries and wages to all staff, including payments for overtime, car allowances, subsistence allowances, travelling and incidental expenses, and for payments to elected members.

TAXATION

- | **D.8** The ~~Head of Finance~~Chief Finance Officer is responsible for advising senior officers, in the light of guidance issued by appropriate bodies and relevant legislation as it applies, on all taxation issues that affect the Council.
- | **D.9** The ~~Head of Finance~~Chief Finance Officer is responsible for maintaining the Council's tax records, making all tax payments, receiving tax credits and submitting tax returns by their due date as appropriate.

TRADING ACCOUNTS

- | **D.10** It is the responsibility of the ~~Head of Finance~~Chief Finance Officer to advise on the requirement for and operation of trading accounts.

E: EXTERNAL ARRANGEMENTS

INTRODUCTION

- E.1** The Council provides a distinctive leadership role for the communities of East Lothian and brings together the contributions of various stakeholders. It must also act to achieve the promotion or improvement of the economic, social and environmental well-being of the county.

PARTNERSHIPS

- E.2** ~~The full~~ Council is responsible for approving delegations, including frameworks for partnerships. ~~The full~~ Council is responsible for forming partnerships with other public, private, voluntary and community sector organisations to address local needs.
- E.3** ~~The full~~ Council can delegate functions – including those relating to partnerships – to officers. These are set out in the scheme of delegation that forms part of the Council’s standing orders.
- E.4** The Chief Executive (or nominee) represents the Council on partnership and external bodies, in accordance with the scheme of delegation.
- E.5** The ~~Head of Finance~~Chief Finance Officer is responsible for promoting and maintaining the same high standards of conduct with regard to financial administration in partnerships that apply throughout the Council. The ~~Head of Finance~~Chief Finance Officer must also ensure that the accounting arrangements to be adopted relating to partnerships and joint ventures are satisfactory.
- E.6** Senior officers are responsible for ensuring that appropriate approvals are obtained before any negotiations are concluded in relation to work with external bodies. They must ensure that the risks have been appraised before agreements are entered into with external bodies.

EXTERNAL FUNDING

- E.7** The ~~Head of Finance~~Chief Finance Officer is responsible for ensuring that all funding notified by external bodies is received and properly recorded in the Council’s accounts.

WORK FOR THIRD PARTIES

E.8 — The Cabinet or other committee (when within the remit of that committee) is responsible for approving the contractual arrangements for any work for third parties or external bodies.

