

Appendix B

Financial Planning and Management

1. PERFORMANCE PLANS

Why is this important?

- 1.1 Each local authority has a statutory responsibility to publish various performance plans, including the best value performance plan. The purpose of these plans is to explain overall priorities and objectives, current performance, and proposals for further improvement. The authority is required to publish annually the best value performance plan (BVPP), which is a key element in the authority's programme of engaging with the public. External audit is required to report on whether the authority has complied with statutory requirements in respect of the preparation and publication of the BVPP.

Key controls

- 1.2 The key controls for performance plans are:
- (a) to ensure that all relevant plans are produced and are consistent;
 - (b) to produce plans in accordance with statutory requirements and timetables;
 - (c) to ensure that all performance information is accurate, complete and up to date; and
 - (d) to provide improvement targets which are meaningful, realistic and challenging.

Responsibilities of the Chief Finance Officer

- 1.3 To advise and supply the financial information that needs to be included in performance plans in accordance with statutory requirements and agreed timetables.
- 1.4 To contribute to the development of corporate and service targets and objectives and performance information.
- 1.5 To ensure that systems are in place to collect accurate financial information for use with performance indicators.
- 1.6 To ensure that financial performance information is monitored sufficiently frequently to allow corrective action to be taken if targets are not likely to be met.

Responsibilities of Chief Officers

- 1.7 To contribute to the development of performance plans in line with statutory requirements.
- 1.8 To contribute to the development of corporate and service targets and objectives and performance information.
- 1.9 To ensure that systems are in place to measure activity and collect accurate information for use as performance indicators.

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- 1.10 To ensure that performance information is monitored sufficiently frequently to allow corrective action to be taken if targets are not likely to be met.

2. BUDGETING

Format of the Budget

Why is this important?

- 2.1 The format of the budget determines the level of detail to which financial control and management will be exercised. The format shapes how the rules around virement operate, the operation of cash limits and sets the level at which funds may be reallocated within budgets.

Key controls

- 2.2 The key controls for the budget format are:
- (a) the format complies with all legal requirements;
 - (b) the format complies with CIPFA's Best Value Accounting Code of Practice; and
 - (c) the format reflects the accountabilities of service delivery.

Responsibilities of the Chief Finance Officer

- 2.3 To advise the Cabinet on the format of the budget that is approved by the Full Council.

Responsibilities of Chief Officers

- 2.4 To comply with accounting guidance provided by the Chief Finance Officer .

Budget Monitoring and Control

Why is this important?

- 2.5 Budget management ensures that once Council has approved the budget, allocated resources are used for their intended purposes and are properly accounted for. Budgetary control is a continuous process, enabling the authority to review and adjust its budget targets during the financial year. It also provides the mechanism that calls to account managers responsible for defined elements of the budget.
- 2.6 By identifying and explaining variances against budgetary targets, the authority can identify changes in trends and resource requirements. To ensure that the authority in total does not overspend, each service is required to manage its own expenditure within the cash-limited budget allocated to it.
- 2.7 For the purposes of budgetary control by managers, a budget will normally be the planned income and expenditure for a service area or cost centre. However, budgetary control may take place at a more detailed level if this is required by the Chief Officer's scheme of delegation.

Key controls

- 2.8 The key controls for managing and controlling budgets are:
- (a) spending control officers should be responsible only for income and expenditure that they can influence;
 - (b) there is a nominated spending control officer for each cost centre heading;
 - (c) spending control officers accept accountability for their budgets and the level of service to be delivered and understand their financial responsibilities;
 - (d) spending control officers follow an approved certification process for all expenditure;
 - (e) income and expenditure are properly recorded and accounted for; and
 - (f) performance levels/levels of service are monitored in conjunction with the budget and necessary action is taken to align service outputs and budget.

Responsibilities of the Chief Finance Officer

- 2.9 To establish an appropriate framework of budgetary management and control that ensures that:
- (a) budget management is exercised within annual limits unless Council agrees otherwise;
 - (b) each Chief Officer has available timely information on income and expenditure on each budget which is sufficiently detailed to enable managers to fulfil their budgetary responsibilities;
 - (c) expenditure is committed only against an approved budget head with sufficient funds available;
 - (d) all officers responsible for committing expenditure comply with relevant guidance, financial regulations and contract standing orders;
 - (e) each cost centre has a single named spending control officer, determined by the relevant Chief Officer. As a general principle, budget responsibility should be aligned as closely as possible to the decision-making processes that commits expenditure; and
 - (f) significant variances from approved budgets are investigated and reported by spending control officers regularly.
- 2.10 To administer the authority's scheme of virement.
- 2.11 To submit reports to the Cabinet and to Council, in consultation with the relevant Chief Officer, where a Chief Officer is unable to balance expenditure and resources within existing approved budgets under his or her control.
- 2.12 To prepare and submit reports on the authority's projected income and expenditure compared with the budget on a quarterly basis.

Responsibilities of Chief Officers

- 2.13 To maintain budgetary control within their services, in adherence to the principles in 2.9, and to ensure that all income and expenditure is properly recorded and accounted for.
- 2.14 To ensure that an accountable spending control officer is identified for each item of income and expenditure under the control of the Chief Officer. As a general principle, budget responsibility should be aligned as closely as possible to the decision-making that commits expenditure.
- 2.15 To ensure that spending remains within the service's overall budget, and that individual budget heads are not overspent, by monitoring the budget and taking appropriate corrective action where significant variations from the approved budget are forecast.
- 2.16 To ensure that a monitoring process is in place to review performance levels/levels of service in conjunction with the budget and is operating effectively.
- 2.17 To prepare and submit to the Cabinet reports on the service's projected expenditure compared with its budget, in consultation with the Chief Finance Officer
- 2.18 To ensure compliance with the scheme of virement.
- 2.19 To agree with the relevant Chief Officer where it appears that a virement proposal may impact materially on another service area or Chief Officer's level of service activity.

Budget Preparation and Medium-term Planning

Why is this important?

- 2.20 The authority is a complex organisation responsible for delivering a wide variety of services. It needs to plan effectively and to develop systems to enable scarce resources to be allocated in accordance with carefully weighed priorities. The budget is the financial expression of the authority's plans and policies.
- 2.21 The revenue budget must be constructed so as to ensure that resource allocation properly reflects the service plans and priorities of the authority. Budgets are needed so that the authority can plan, authorise, monitor and control the way money is allocated and spent.
- 2.22 Medium-term planning involves a planning cycle in which managers develop their own plans. As each year passes, another future year will be added to the medium-term plan. This ensures that the authority is always preparing for events in advance.

Key controls

- 2.23 The key controls for budgets and medium-term planning are:
 - (a) specific budget approval for all expenditure;
 - (b) spending control officers are consulted in the preparation of the budgets for which they will be held responsible and accept accountability within

delegations set by the Cabinet for their budgets and the level of service to be delivered; and

- (c) a monitoring process is in place to review regularly the effectiveness and operation of budget preparation and to ensure that any corrective action is taken.

Responsibilities of the Chief Finance Officer

- 2.24 To prepare and submit reports on budget prospects to the Finance and Performance Management Cabinet Committee, including resource constraints set by the Government, in accordance with the budget timetable. Reports should take account of medium-term issues, where appropriate.
- 2.25 To determine the detailed form of capital and revenue estimates and the methods for their preparation, consistent with the budget approved by Council, and after consultation with the Cabinet and Chief Officers.
- 2.26 To prepare and submit reports to the Finance and Performance Management Standing Scrutiny Panel on the aggregate spending plans of Portfolio Holders and on the resources available to fund them, identifying, where appropriate, the implications for the level of council tax or housing rent levels to be levied.
- 2.27 To advise on the medium-term implications of spending decisions.
- 2.28 To encourage the best use of resources and value for money by working with Chief Officers to identify opportunities to improve economy, efficiency and effectiveness, and by encouraging good practice in conducting financial appraisals of development or savings options, and in developing financial aspects of service planning.
- 2.29 To advise Council on the Cabinet's budget proposals in accordance with his or her responsibilities under section 151 of the Local Government Act 1972 and Section 25 of the Local Government Act 2003.

Responsibilities of Chief Officers

- 2.30 To prepare estimates of income and expenditure, in consultation with the Chief Finance Officer, to be submitted to the Cabinet by the appropriate Portfolio Holder, in accordance with the budget timetable.
- 2.31 To prepare budgets that are consistent with guidelines issued by the Cabinet. The format should be prescribed by the Chief Finance Officer in accordance with Council's general directions.
- 2.32 To ensure prior approval by Council for new proposals that:
 - (a) increase the budgetary requirement in current or future years, or
 - (b) change existing policies, initiate new policies or cease existing policies, or
 - (c) materially extend or reduce the authority's services.

A report on new proposals should explain the full financial implications, following consultation with the Chief Finance Officer. Unless Council has agreed otherwise, Chief Officers must plan to contain the financial implications of such proposals within their budget.

Where the proposal is within the existing policy framework, and solely requires an increase in the budgetary requirement, proposals should either be agreed by the Cabinet for bids to be made for a future budget that will subsequently be ratified by Council, or reported to Council if implementation is required for the current budgetary year.

- 2.33 To agree with the relevant Chief Officer where it appears that a budget proposal may impact materially on another service area or Chief Officer's level of service activity.
- 2.34 To integrate financial and budget plans into service planning, so that service plans are fully costed and can be incorporated into medium term budget forecasts.
- 2.35 In consultation with the Chief Finance Officer and in accordance with the guidance and timetable, to prepare detailed draft revenue and capital budgets for consideration by the appropriate Portfolio Holder, including proposals for the setting of fees and charges.
- 2.36 When drawing up draft budget requirements, to have regard to:
 - (a) Spending patterns and pressures revealed through the budget monitoring process;
 - (b) Legal requirements;
 - (c) Policy requirements as defined by Council in the approved policy framework; and
 - (d) Initiatives already in progress.

Responsibilities of the Finance and Performance Management Cabinet Committee

- 2.37 Following due consultation with Overview and Scrutiny Committee or its relevant panels, to submit reports on budget proposals for the Cabinet, and to propose suitable budget guidelines.
- 2.38 Following due consultation with the appropriate Overview and Scrutiny Committee or relevant Panel, to submit reports to the Cabinet on the aggregate spending plans of Portfolio Holders and the resources available to fund them, identifying, where appropriate, the implications for the level of council tax or housing rent levels to be levied.

Responsibilities of Portfolio Holders

- 2.39 Following due consultation with the appropriate Overview and Scrutiny Committee or relevant Panel, to present to the Cabinet estimates of income and expenditure, including proposals for the setting of fees and charges, relating to their area of responsibility, in such form and by such date(s) as is required for policy-making and budgeting. Such estimates shall comply with legislation, statutory instruments from time to time in force and the policy framework of the Council.

Resource Management

Why is this important?

- 2.40 A mismatch often exists between available resources and required resources. A common scenario is that available resources are not adequate to fulfil need/desire. It is therefore imperative that needs/desires are carefully prioritised and that resources are utilised to fulfil all legal responsibilities and minimise the level of waste, inefficiency or loss. Resources may include staff, money, equipment, goods and materials.

Key controls

- 2.41 The key controls for resource management are:
- (a) resources are obtained in accordance with the law and using an approved authorisation process;
 - (b) resources are used only for the purpose intended, to achieve the approved policies and objectives, and are properly accounted for;
 - (c) resources are securely held for use when required; and
 - (d) resources are used with the minimum level of waste, inefficiency or loss for other reasons.

Responsibilities of the Chief Finance Officer

- 2.42 To advise on methods available for the funding of resources, such as grants from central government and borrowing requirements.
- 2.43 To determine the method of allocation of resources to spending control officers.

Responsibilities of Chief Officers

- 2.44 To work within budget limits and to utilise resources allocated in the most efficient, effective and economic way.
- 2.45 To identify opportunities to minimise resource requirements without having a detrimental effect on service delivery.

Capital Programme

Why is this important?

- 2.46 Capital expenditure involves acquiring or enhancing fixed assets with a long-term value to the authority, such as land, buildings, and major items of plant, equipment or vehicles. Capital assets shape the way services are delivered in the long term and create financial commitments for the future in the form of financing costs and revenue running costs.
- 2.47 Capital expenditure should form part of an investment strategy and should be carefully prioritised in order to maximise the benefit of scarce resources.

Key controls

- 2.48 The key controls for capital programmes are:
- (a) Sufficient regard being given to the Capital Strategy adopted by Council;
 - (b) Specific approval by Council for the programme of capital expenditure following recommendation by the Cabinet;
 - (c) A scheme and estimate, including project plan, progress targets and associated revenue expenditure is prepared for each capital project, for approval by the relevant Portfolio Holder;
 - (d) Schedules for individual schemes within the overall budget approved by Council must be submitted by the relevant Portfolio Holder to the Cabinet for approval (for example, minor works), or under other arrangements approved by the Council;
 - (e) The development and implementation of asset management plans;
 - (f) Accountability for each proposal is given to a specific postholder; and
 - (g) Monitoring of scheme progress in conjunction with expenditure and comparison with approved budget.

Responsibilities of the Chief Finance Officer

- 2.49 To prepare capital estimates jointly with Chief Officers and the relevant Portfolio Holder, and to report them to the Cabinet for approval. The Cabinet will make recommendations on the capital estimates and on any associated financing requirements to the Council.
- 2.50 To prepare and submit reports to the Cabinet on the projected income, expenditure and resources compared with the approved estimates.
- 2.51 To issue guidance concerning capital schemes and controls, The definition of 'capital' will be determined by the Chief Finance Officer , having regard to government regulations and accounting requirements.

Responsibilities of Chief Officers

- 2.52 To comply with guidance concerning capital schemes and controls issued by the Chief Finance Officer .
- 2.53 To ensure that all capital proposals have undergone a project appraisal.
- 2.54 To ensure that adequate records are maintained for all capital contracts.
- 2.55 To proceed with projects only when there is adequate provision in the capital programme.
- 2.56 To obtain authorisation from the Cabinet for individual schemes where the estimated expenditure exceeds the capital programme provision.

- 2.57 Where the capital project is budgeted to be in excess of £2 million, to prepare and submit reports, jointly with the Chief Finance Officer , to the relevant Portfolio Holder outlining:
- (a) Progress to date;
 - (b) Problems identified and proposals for rectification;
 - (c) Expenditure to date compared to budget; and
 - (d) Decisions required.
- 2.58 In addition to 2.57 above, where the capital project is budgeted to be in excess of £2 million, to establish a multidiscipline project team to:
- (a) Plan, manage and review projects and ensure effective financial management;
 - (b) Monitor expenditure, estimated outturn, variances to budget, potential claims and overspends, levels of contingencies, and implications of deviations from critical paths; and
 - (c) On completion, undertake a post-contract evaluation using appropriate methodology.
- 2.59 To prepare and submit reports, jointly with the Chief Finance Officer to the Cabinet, of any variation in contract costs greater than the approved budget. The Cabinet may meet cost increases of up to £100,000 by virement from savings elsewhere within their capital programme, save that there can be no transfer of approved budgets between the General Fund and the Housing Revenue Account, or between portfolios.
- 2.60 To prepare and submit reports, jointly with the Chief Finance Officer to the Cabinet, on completion of all contracts where the final expenditure exceeds the approved contract sum by more than the lesser of 10% or £25,000.
- 2.61 To ensure that credit arrangements, such as leasing agreements, are not entered into without the prior approval of the Chief Finance Officer and, if applicable, approval of the scheme through the capital programme.
- 2.62 To consult with the Chief Finance Officer and to seek Cabinet approval where the Chief Officer proposes to bid for specific capital grants to be issued by government departments to support expenditure that has not been included in the current year's capital programme.

Emergency and Urgent Expenditure

- 2.63 Nothing in these financial regulations shall prevent a Portfolio Holder or the Cabinet from incurring expenditure outside of the budgetary framework which is essential to meet any immediate needs created by a sudden emergency, or which is referable to Section 138 of the Local Government Act 1972, or which is outside the Council's control (e.g. by order of the Courts or any body with an equivalent power), or which has some other overriding urgency, subject to:
- (a) It not being practical to convene a quorate meeting of the Council;
 - (b) The Chairman of the Overview and Scrutiny Committee, or in his or her absence the Chairman of the Council, or in his or her absence the

Vice-Chairman of the Council, agreeing that the expenditure is a matter of urgency; and

- (c) The reasons why it was impractical to convene a quorate meeting of the Council under 2.6 3(a) and the consent under 2.633(b) being noted on the record of the decision

2.64 Following the decision to incur expenditure outside of the budgetary framework on the grounds of urgency, the relevant Portfolio Holder will provide a report to the next available Council meeting explaining the decision, the reasons for it and why the decision was treated as a matter of urgency. The report will also set out the level of expenditure incurred or likely to be incurred under the decision, and proposals for the mitigation of the expenditure by the deferment of other expenditure where possible.

3. MAINTENANCE OF RESERVES

Why is this important?

3.1 The Council must decide the level of general reserves it wishes to maintain before it can decide the level of council tax. Reserves are maintained as a matter of prudence. They enable the authority to provide for unexpected events and thereby protect it from overspending, should such events occur. Reserves for specific purposes may also be maintained, such as the purchase or renewal of capital items.

Key controls

3.2 To maintain reserves in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice (CIPFA/LASAAC) and agreed accounting policies.

3.3 For each reserve established, the purpose, usage and basis of transactions should be clearly identified.

3.4 Authorisation and expenditure from reserves by the appropriate Chief Officer in consultation with the Chief Finance Officer .

Responsibilities of the Finance and Performance Management Cabinet Committee

3.5 To advise the Cabinet and/or the Council on prudent levels of reserves for the authority, and to take account of the advice of the Chief Finance Officer and the external auditor in this matter.

Responsibilities of Chief Officers

3.6 To ensure that resources are used only for the purposes for which they were intended.

4. MANAGING EXPENDITURE

Scheme of Virement

Why is this important?

- 4.1 The scheme of virement is intended to enable the Cabinet, Portfolio Holders Chief Officers and their staff to manage budgets with a degree of flexibility within the overall policy framework determined by the Council, and therefore to optimise the use of resources.

Key controls

- 4.2 Key controls for the scheme of virement are:
- (a) it is administered by the Chief Finance Officer within guidelines set by the Council. Any variation from this scheme requires the approval of the Council;
 - (b) the overall budget is agreed by the Cabinet and approved by the Council. Chief Officers and their nominated Spending Control Officers are therefore authorised to incur expenditure in accordance with the estimates that make up the budget. The rules below cover virement; that is, switching resources within approved estimates within the same cost centre or between costs centres. For the avoidance of doubt, the Chief Finance Officer will maintain a list of approved cost centres budget heading;
 - (c) virement does not create additional overall budget liability. Chief Officers are expected to exercise their discretion in managing their budgets responsibly and prudently. For example, they should avoid supporting recurring expenditure from one-off sources of savings or additional income, or creating future commitments, including full-year effects of decisions made part way through a year, for which they have not identified future resources. Chief Officers must plan ahead to fund such commitments from within their own budgets, so as to avoid the need for supplementary estimates;
 - (d) in exceptional circumstances where a request for a supplementary estimate, i.e. an increase in the overall budgetary requirement of the authority is needed, the approval of Council will be required;
 - (e) virement between budgets of the Housing Revenue Account and the General Fund, and between revenue and capital budgets is prohibited;
 - (f) for the purposes of the virement scheme only, the Housing Portfolio is considered to consist of two budget portfolios (Housing Revenue Account and Housing General Fund);
 - (g) no virement relating to a specific financial year should be made after 31 March in that year; and
 - (h) any reference to a budget percentage threshold for virement refers to the gross budget unless otherwise specified.
- 4.3 Where an approved budget is a lump-sum budget or contingency under the control of the Finance and Performance Management Portfolio Holder, intended for allocation during the year, its allocation will not be treated as a virement, provided that:
- (a) the amount is used in accordance with the purposes for which it has been established; and
 - (b) the Cabinet has approved the basis and the terms, including financial limits, on which it will be allocated.

Responsibilities of Chief Officers

- 4.4. A Chief Officer may exercise virements on budgets under his control for cumulative amounts up to £5,000 between detailed account codes within the same cost centre during the year, subject to the agreement of the Chief Finance Officer (For this purpose 'cost centre' refers to the budget book sub-heading, e.g. for Accommodation Services the cost centres are Office Accommodation, Superintendents, Duty Officers and catering).
- 4.5. Where a virement is required, the Chief Officer (or other Officer delegated by them) must send a signed written request to Accountancy detailing the amount and detailed cost codes involved.

Responsibilities of Portfolio Holders

- 4.6. A Portfolio Holder, in consultation with the appropriate Chief Officer, may exercise virements on budgets under their control, within the same cost centre or between cost centres, for cumulative amounts up to the greater of £10,000 or 2% of gross cost centre expenditure during the year, following notification to the Chief Finance Officer, and subject to the conditions at 4.9 below. These limits are inclusive of amounts vired under 4.4 above, not in addition to.
- 4.7. Cumulative amounts greater than £10,000 or 2%, whichever is the greater, within the same cost centre or between cost centres during the year require the approval of the Cabinet, following a report to the relevant Portfolio Holder in conjunction with the Chief Finance Officer and the Chief Officer. The report must specify the proposed expenditure and the source of funding and must explain the implications in the current and future financial year.

Responsibilities of the Chief Finance Officer

- 4.8. To prepare jointly with the relevant Chief Officer a report to the Cabinet or Council as appropriate, where revenue virements within the same cost centre, or between cost centres within the same portfolio, in excess of the greater of £10,000 or 2% of gross cost centre expenditure are proposed.

To maintain a list of approved budget headings.

To maintain a register of all approved virements.

To monitor that any allocation of an approved budget that is a lump sum budget or contingency intended for allocation during the year is in accordance with the purposes for which it was established and the Cabinet approved scheme for its release. Where any proposed allocation falls outside of these conditions, the allocation will be deemed to be a virement and treated accordingly.

Responsibilities of Cabinet and Council

- 4.9. Cumulative virements within a Portfolio greater than £100,000 or 2% of the total portfolio, whichever is the greater, require the approval of the Council, following a report of the Cabinet in conjunction with the Chief Finance Officer and the relevant Chief Officer(s). The report must specify the cumulative expenditure and sources of funding and must explain the service delivery implications in the current and future financial year.

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The Cabinet may vire resources between individual capital projects within the General Fund or the Housing Revenue Account, subject to a report to Council, if the cumulative virement exceeds £100,000 on either fund.

The prior approval of the Cabinet is required for any virement, of whatever amount, where it is proposed to:

- (a) vire between budgets of different accountable Portfolio Holders;
- (b) vire between budgets managed by different Chief Officers; and
- (c) change the level of the Council's manpower.