Financial Procedure Rules
Appendix A - Financial Management

Financial Management Standards

Why are these Important?

1.01 All staff and Elected Members have a duty to abide by the highest standards of probity in dealing with financial issues. This is facilitated by ensuring everyone is clear about the standards to which they are working and the controls that are in place to ensure that these standards are met.

Key Controls

1.02 The key controls and control objectives for financial management standards are:

(a) their promotion throughout the authority; and

(b) a monitoring system to review compliance with financial standards, and regular comparisons of performance indicators and benchmark standards that are reported to the Executive and Full Council.

Responsibilities of the Finance Director

1.03 To ensure the proper administration of the financial affairs of the authority.

1.04 To set the financial management standards and to monitor compliance with them.

1.05 To ensure proper professional practices are adhered to and to act as head of profession in relation to the standards, performance and development of finance staff throughout the authority.

1.06 To advise on the key strategic controls necessary to secure sound financial management.

1.07 To ensure that financial information is available to enable accurate and timely monitoring and reporting of comparisons of national and local financial performance indicators.

Responsibilities of Chief Officers

1.08 To promote the financial management standards set by the Finance Director in their departments and to monitor adherence to the standards and practices, liaising as necessary with the Finance Director.

1.09 To promote sound financial practices in relation to the standards, performance and development of staff in their departments.

Managing Expenditure

Scheme Of Virement (Revenue Expenditure)

Why is this Important?

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

Key Controls

1.11 Key controls for the scheme of virement are:

(a) It is administered by the Finance Director within guidelines set by the Audit and Standards Committee. Any variation from this scheme requires the approval of the Audit and Standards Committee;

(b) The overall budget is agreed by the Executive and approved by the Full Council. Chief Officers and budget managers 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 between approved estimates or heads of expenditure;

(c) Virement does not create additional overall budget liability. Chief Officers are expected to exercise their discretion in managing their budgets responsibly and prudently. They should not support recurring expenditure from one-off sources of savings or additional income, or create future commitments, including full-year effects of decisions made part way through a year, without the prior approval of the Finance Director. Chief Officers must plan to fund such commitments from within their own budgets; and

(d) Any virement affecting an employee subjective budget head can only proceed with the authorisation of the Finance Director.

Responsibilities of the Finance Director

1.12 To monitor and record all virements, consulting with the Resources Portfolio Holder where virements in excess of £25,000 are proposed and seeking approval of the Executive for values in excess of £50,000.

Responsibilities of Chief Officers

1.13 A Chief Officer may exercise virement on budgets under his or her control for amounts up to £5,000 on any one budget head during the year, and up to £25,000 following approval of the Finance Director under arrangements agreed by the Audit and Standards Committee and subject to the conditions in paragraphs 1.15 to 1.17 below.

1.14 Amounts greater than £25,000 also require the approval of the relevant Portfolio Holder, and must specify the proposed expenditure and the source of funding, and must explain the implications in the current and future financial year.

1.15 Virements between budgets of different accountable Executive Members and between budgets managed by different Chief Officers for values >£5,000 will require the consent of all parties.

1.16 A virement that is likely to impact on the level of service activity of another Chief Officer should be implemented only after agreement with the relevant Chief Officer.

1.17 No virement relating to a specific financial year should be made after 31 March in that year.

1.18 Where an approved budget is a lump-sum budget or contingency intended for allocation during the year, its allocation will not be treated as a virement.

Treatment of Year-End Balances (Revenue and Capital)

Why is this Important?

1.19 The authority’s scheme of virement includes the authority’s treatment of year-end balances. It is administered by the Finance Director within guidelines set by the Audit and Standards Committee. Any variation from this scheme requires the approval of the Audit and Standards Committee.

1.20 The rules below cover arrangements for the transfer of resources between accounting years, ie a carry-forward. For the purposes of this scheme, a budget heading is a specific cost centre and subjective code combination, or, as a minimum, is at an equivalent level to the standard service subdivision as defined by CIPFA in its Service Expenditure Analysis.

Key Controls

1.21 Appropriate accounting procedures are in operation to ensure that carried-forward totals are correct.

Responsibilities of the Finance Director

1.22 To administer the scheme of carry-forward within the guidelines approved by the Audit and Standards Committee.

1.23 To report all over-spendings and under-spendings on service estimates carried forward to the Audit and Standards Committee.

Responsibilities of Chief Officers

1.24 Net underspendings on service estimates under the control of the Chief Officer may be carried forward, subject to the approval of the Finance Director. The source of underspending or additional income and the proposed application of those resources must be reported to the Audit and Standards Committee.

Accounting Policies

Why are these Important?

1.25 The Finance Director is responsible for the preparation of the authority's statement of accounts, in accordance with proper practices as set out in the format required by the Code of Practice on Local Authority Accounting in the United Kingdom for each financial year ending 31 March.

Key Controls

1.26 The key controls for accounting policies are:

(a) systems of internal control are in place that ensure that financial transactions are lawful;

(b) suitable accounting policies are selected and applied consistently;

(c) proper accounting records are maintained; and

(d) financial statements are prepared which present a true and fair view of the financial position of the authority and its expenditure and income.

Responsibilities of the Finance Director

1.27 To select suitable accounting policies and to ensure that they are applied consistently. The accounting policies are set out in the statement of accounts, which is prepared at 31 March each year, and cover such items as:

(a) Accruals of income and expenditure;
(b) Provisions;
(c) Reserves;
(d) Government grants and contributions;
(e) Retirement benefits;
(f) VAT;
(g) Overheads and support services;
(h) Intangible fixed assets;
(i) Tangible fixed assets;
(j) Charges to revenue for fixed assets;
(k) Revenue expenditure funded from capital under statute;
(l) Leases;
(m) Financial liabilities;
(n) Financial assets;
(o) Stocks and work in progress; and
(p) Interests in companies and other entities.

Responsibilities of Chief Officers

1.28 To adhere to the accounting policies and guidelines approved by the Finance Director.

Accounting Records And Returns

Why are these Important?

1.29 Maintaining proper accounting records is one of the ways in which the authority discharges its responsibility for stewardship of public resources. The authority has a statutory responsibility to prepare its annual accounts to present a true and fair view of its operations during the year. These are subject to External Audit. This audit provides assurance that the accounts are prepared properly, that proper accounting practices have been followed and that quality arrangements have been made for securing economy, efficiency and effectiveness in the use of the authority's resources.

Key Controls

1.30 The key controls for accounting records and returns are:

(a) all Executive Members, finance staff and budget managers operate within the required accounting standards and timetables;

(b) all the authority's transactions, material commitments and contracts and other essential accounting information are recorded completely, accurately and on a timely basis;

(c) procedures are in place to enable accounting records to be reconstituted in the event of systems failure;

(d) reconciliation procedures are carried out to ensure transactions are correctly recorded; and

(e) prime documents are retained in accordance with legislative and other requirements.

Responsibilities of the Finance Director

1.31 To determine the accounting procedures and records to be kept for the authority.

1.32 To arrange for the compilation of all accounts and accounting records.

1.33 Wherever practicable, to comply with the principle of separation of duties when allocating accounting duties.

1.34 To make proper arrangements for the audit of the authority's accounts in accordance with the Accounts and Audit Regulations 2015.

1.35 To ensure that all claims for funds including grants are made by the due date.

1.36 To prepare and publish the audited accounts of the authority for each financial year, in accordance with the statutory timetable and ensure that the statement of accounts is approved by the Audit and Standards Committee by the statutory date.

1.37 To administer the authority's arrangements for under-spendings to be carried forward to the following financial year.

1.38 To ensure the proper retention of financial documents in accordance with the requirements set out in the authority's document retention schedule.

Responsibilities of Chief Officers

1.39 To consult and obtain the approval of the Finance Director before making any changes to accounting records and procedures.

1.40 To comply with the principles outlined in paragraph 1.33 when allocating accounting duties.

1.41 To maintain adequate records to provide a management trail leading from the source of income/expenditure through to the accounting statements.

1.42 To supply information required to enable the statement of accounts to be completed in accordance with guidelines issued by the Finance Director.

The Annual Statement of Accounts

Why is this Important?

1.43 The authority has a statutory responsibility to prepare its own accounts to present a true and fair view of its operations during the year. The Audit and Standards Committee is responsible for approving the statutory annual statement of accounts.

Key Controls

1.44 The key controls for the annual statement of accounts are:

(a) the authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of these affairs. In this authority, that officer is the Finance Director.

(b) the authority's statement of accounts must be prepared in accordance with proper practices as set out in the Code of Practice on Local Authority Accounting in the United Kingdom

Responsibilities of the Finance Director

1.45 To select suitable accounting policies and to apply them consistently.

1.46 To make judgements and estimates that are reasonable and prudent.

1.47 To comply with the Code of Practice on Local Authority Accounting in the United Kingdom.

1.48 To keep proper accounting records that are up to date.

1.49 To sign and date the statement of accounts, stating that it presents a true and fair view of the financial position of the authority at the accounting date and its income and expenditure for the relevant year.

1.50 To draw up the timetable for final accounts preparation and to advise staff and External Auditors accordingly.

Responsibilities of Chief Officers

1.51 To comply with accounting guidance provided by the Finance Director and to supply the Finance Director with information when required.