Financial Procedure Rules
Appendix B - Financial Planning

Performance Plans

Why are these Important?

2.01 Each local authority has a responsibility to publish various performance plans, including the Council Plan, the Local Plan and the Community Safety Partnership – Strategic Assessment. The purpose of performance plans is to explain overall priorities and objectives, current performance, and proposals for further improvement. Performance plans form part of the authority’s programme of engaging with the public.

Key Controls

2.02 The key controls for performance plans are:

(a) to ensure that all relevant plans are produced and that they are consistent;

(b) to produce plans in accordance with statutory requirements;

(c) to meet the timetables set;

(d) to ensure that all performance information is accurate, complete and up to date; and

(e) to provide improvement targets which are meaningful, realistic and challenging.

Responsibilities of the Finance Director

2.03 To advise and supply the financial information that needs to be included in performance plans in accordance with statutory requirements and agreed timetables.

2.04 To contribute to the development of corporate and service targets and performance information.

Responsibilities of the Corporate Director Communities

2.05 To ensure that systems are in place to measure activity and collect accurate information for use as performance indicators, identifying measurable impact, outputs and outcomes.

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

Responsibilities of Chief Officers

2.07 To contribute to the development of performance plans in line with statutory requirements.

2.08 To contribute to the development and monitoring of corporate and service targets and objectives and performance information.

Budgeting

Format of the Budget

Why is this Important?

2.09 The format of the budget influences 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

2.10 The key controls for the budget format are:

(a) the format complies with all legal requirements and proper accounting practices; and

(b) the format reflects accountability for service delivery.

Responsibilities of the Finance Director

2.11 To advise the Executive on the format of the budget that is approved by the Full Council.

Responsibilities of Chief Officers

2.12 To comply with accounting guidance provided by the Finance Director.

Revenue Budget Preparation, Monitoring and Control

Why is this Important?

2.13 Budget management ensures that once the budget has been approved by the Full Council, resources allocated 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.

2.14 By continuously identifying and explaining variances against budgetary targets, the authority can identify changes in trends and resource requirements at the earliest opportunity. The authority itself operates within an annual cash limit, approved when setting the overall budget. 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.

2.15 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.

Key Controls

2.16 The key controls for managing and controlling the revenue budget are:

(a) budget managers should be responsible only for income and expenditure that they can influence;

(b) there is a nominated budget manager for each cost centre heading;

(c) budget managers accept accountability for their budgets and the level of service to be delivered and understand their financial responsibilities;

(d) budget managers 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 Finance Director

2.17 To establish an appropriate framework of budgetary management and control that ensures that:

(a) budget management is exercised within annual cash limits unless the Full Council agrees otherwise;

(b) each Chief Officer has available timely information on receipts and payments 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;

(d) all officers responsible for committing expenditure comply with relevant guidance, and the financial regulations;

(e) each cost centre has a single named manager, 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 budget managers regularly.

2.18 To administer the authority's scheme of virement.

2.19 To submit reports to the Executive and to the Full 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.

2.20 To prepare and submit reports on the authority's projected income and expenditure compared with the budget on a regular basis.

Responsibilities of Chief Officers

2.21 To maintain budgetary control within their departments, in adherence to the principles in 2.17, and to ensure that all income and expenditure are properly recorded and accounted for.

2.22 To ensure that an accountable budget manager is identified for each item of income and expenditure under the control of the Chief Officer (grouped together in a series of cost centres). As a general principle, budget responsibility should be aligned as closely as possible to the decision-making that commits expenditure.

2.23 To ensure that spending remains within the service's overall cash limit, 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.

2.24 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.

2.25 To provide information to the Finance Director to enable reports on the service's projected expenditure compared with its budget to be made to the Executive.

2.26 To ensure prior approval by the Full Council or Executive (as appropriate) for new proposals, of whatever amount, that:

(a) create financial commitments in future years;

(b) change existing policies, initiate new policies or cease existing policies; and

(c) materially extend or reduce the authority's services.

2.27 To ensure compliance with the scheme of virement.

2.28 To agree with the relevant Chief Officer where it appears that a budget proposal, including a virement proposal, may impact materially on another service area or chief officer's level of service activity.

Budgets and Medium-Term Planning

Why is this Important?

2.29 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.

2.30 The revenue budget must be constructed so as to ensure that resource allocation properly reflects the service plans and priorities of the Full Council. Budgets (spending plans) are needed so that the authority can plan, authorise, monitor and control the way money is allocated and spent. It is illegal for an authority to budget for a deficit.

2.31 Medium-term planning involves a planning cycle which incorporates the current and four future years. 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.

<u>Key Controls</u>

2.32 The key controls for budgets and medium-term planning are:

(a) specific budget approval for all expenditure;

(b) budget managers are consulted in the preparation of the budgets for which they will be held responsible and accept accountability within delegations set by the Executive 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.

<u>Responsibilities of the Finance Director</u>

2.33 To prepare and submit reports on budget prospects for the Executive, including resource constraints set by the Government. Reports should take account of medium-term prospects, where appropriate.

2.34 To determine the detailed form of revenue estimates and the methods for their preparation, consistent with the budget approved by the Full Council, and after consultation with the Executive and Chief Officers.

2.35 To prepare and submit reports to the Executive on the aggregate spending plans of service units and on the resources available to fund them, identifying, where appropriate, the implications for the level of council tax to be levied.

2.36 To advise on the medium-term implications of spending decisions.

2.37 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.

2.38 To advise the Full Council on Executive proposals in accordance with his or her responsibilities under section 151 of the Local Government Act 1972.

Responsibilities of Chief Officers

2.39 To prepare estimates of income and expenditure, in consultation with the Finance Director, to be submitted to the Executive.

2.40 To prepare budgets that are consistent with any relevant cash limits, with the authority's annual budget cycle and with guidelines issued by the Finance Director following agreement with the Executive. The format should be prescribed by the Finance Director.

2.41 To integrate financial and budget plans into service planning, so that budget plans can be supported by financial and non-financial performance measures.

2.42 In consultation with the Finance Director and in accordance with the laid-down guidance and timetable, to prepare detailed draft revenue and capital budgets for consideration by the appropriate committee.

2.43 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 the Full Council in the approved policy framework; and

(d) initiatives already under way.

Resource Allocation

Why is this Important?

2.44 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 fairly allocated, in order to fulfil all legal responsibilities. Resources may include staff, money, equipment, goods and materials.

Key Controls

2.45 The key controls for resource allocation are:

(a) resources are acquired 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 Finance Director

2.46 To advise on methods available for the funding of resources, such as grants from central government and borrowing requirements.

2.47 To assist in the allocation of resources to budget managers.

Responsibilities of Chief Officers

2.48 To work within budget limits and to utilise resources allocated, and further allocate resources, in the most efficient, effective and economic way.

2.49 To identify opportunities to minimise or eliminate resource requirements or consumption without having a detrimental effect on service delivery.

Capital Programmes

Why are these Important?

2.50 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.

2.51 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

2.52 The key controls for capital programmes are:

(a) a scheme and estimate, including project plan, progress targets and associated revenue expenditure is prepared for each capital project, for approval by the Executive;

(b) specific approval by the Full Council for the programme of capital expenditure;

(c) expenditure on capital schemes is subject to the approval of the relevant Portfolio Holder prior to scheme commencement;

(d) proposals for improvements and alterations to buildings must be approved by the Corporate Property Officer;

(e) schedules for individual schemes within the overall budget approved by the Full Council must be submitted to the relevant Portfolio Holder for approval (for example, refurbishment of playgrounds);

(f) the development and implementation of asset management plans;

(g) accountability for each proposal is accepted by a named manager; and

(h) monitoring of progress in conjunction with expenditure and comparison with approved budget.

Responsibilities of the Finance Director

2.53 To prepare capital estimates jointly with Chief Officers and the Head of Paid Service and to report them to the Executive for approval. The Executive will make recommendations on the capital estimates and on any associated financing requirements to the Full Council.

2.54 To prepare and submit reports to the Executive on the projected income, expenditure and resources compared with the approved estimates.

2.55 To issue guidance concerning capital schemes and controls, for example, on project appraisal techniques. The definition of ‘capital’ will be determined by the Finance Director, having regard to government regulations and accounting requirements.

2.56 To obtain authorisation from the Executive for individual schemes where the estimated expenditure exceeds the capital programme provision by more than a specified amount.

Responsibilities of Chief Officers

2.57 To comply with guidance concerning capital schemes and controls issued by the Finance Director.

2.58 To ensure that where appropriate all capital projects are supported by a business case.

2.59 To prepare regular reports reviewing the capital programme provisions for their services including three reports a year showing the estimated final costs of schemes in the current year’s approved capital programme for submission to the Executive as part of the performance management framework.

2.60 To ensure that adequate records are maintained for all capital contracts.

2.61 To proceed with projects only when there is adequate provision in the capital programme and with the agreement of the relevant Portfolio Holder.

2.62 To prepare and submit reports, jointly with the Finance Director, to the Executive, of any material variation in contract costs whereby the quotation or tender to be accepted exceeds the provision in the capital programme by more than the approved limit of 10% and where approval conditions in 2.63 to 2.65 cannot be met.

2.63 The Finance Director may approve increased costs on an individual scheme within the approved Capital Programme to a maximum of £50,000 provided that it is funded by a virement of resources from another scheme in the Capital Programme (provided that the specification remains consistent with the original overall objectives of the scheme and that the expenditure continues to deliver best value for money for the Council) or new external funding.

2.64 The Resources Portfolio Holder may approve increased costs on an individual scheme to a maximum of £100,000 provided that it is funded from a virement of resources from one scheme to another within the approved Capital Programme or new external funding (provided that the specification remains consistent with the original overall objectives of the scheme and that the expenditure continues to deliver best value for money for the Council).

2.65 The Cabinet may approve increased costs on an individual scheme up to a maximum of £250,000 provided that it is funded from a virement of resources from one scheme to another within the approved Capital Programme or new external funding (provided that the specification remains consistent with the original overall objectives of the scheme and that the expenditure continues to deliver best value for money for the Council).

2.66 To ensure that credit arrangements, such as leasing agreements, are not entered into without the prior approval of the Finance Director and, if applicable, approval of the scheme through the capital programme.

Maintenance of Reserves

Why is this Important?

2.67 The local authority 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 IT equipment.

Key Controls

2.68 To maintain reserves in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom and agreed accounting policies.

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

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

Responsibilities of the Finance Director

2.71 To advise the Executive and/or the Full Council on prudent levels of reserves for the authority, and to take account of the advice of the External Auditor in this matter.

Responsibilities of Chief Officers

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