

## **Part G – Appendices**

### **Section G4A:- Finance and Contract Procedure Rules**

#### **(Financial Management)**

**In this Section:-**

A1	Why is Financial Management Important?
A2	Overview
A3	What's covered in this Section?
A4	Overview of Roles and Responsibilities for Financial Management
A5	Budgeting Overview
A6	Budget Management Framework
A7	Budget changes that require Chief Officer and/or Member approval
A8	Budget changes (supplementary revenue estimates and virements) that represent a change to approved policies / increase in expenditure
A9	Funding budget changes (supplementary revenue estimates) from General Reserves
A10	Funding budget changes (supplementary revenue estimates) from Earmarked Reserves
A11	Use of contingency provisions
A12	Scheme of Capital Virements for existing approved allocations
A13	Capital Budget increases for existing allocations
A14	Capital Budget Increases for new allocations
A15	Administrative changes to revenue budget overview
A16	Revenue Virements
A17	Year End Revenue and Capital Carry Forwards
A18	Accounting Policies and Statement of Accounts

## **A1 Why is Financial Management Important?**

A1.1 Financial management is essential to ensure that public funds are kept secure and used properly to best effect. This section explains who is accountable for the proper financial management of the Council.

## **A2 Overview**

A2.1 The Finance and Contract Procedure Rules form part of a series of documents that must be followed to ensure effective financial management.

A2.2 In accordance with the “executive arrangements” form of local governance under the Local Government Act 2000, Council decides who will discharge the various functions that it is responsible for. This is set out in the Constitution which records the delegation of power to the Cabinet, Cabinet Members, committees and Officers.

A2.3 Council also approves and adopts these Finance and Contract Procedure Rules which are contained within the Constitution. These Rules provide a framework for managing the Council’s financial affairs, and the financial implications of decisions made under the delegation arrangements set out in the Constitution. These Rules apply to everyone who makes decisions for the Council or on its behalf.

A2.4 The Rules set out the financial limits which Members and Officers must operate within. Directors also set out internal Service Schemes of Financial Delegation which further clarify the authorisation limits for Officers within their services.

A2.5 There are also Codes of Practice in force from time to time which set out the steps of detailed procedures to follow to ensure the Rules are properly applied in practice. These are issued by the Director of Corporate Services.

## **A3 What’s covered in this Section?**

A3.1 This Section contains a short “high level” overview of the roles and responsibilities delegated by the Constitution, including:

- (a) Council;

- (b) The Cabinet and Cabinet Members;
- (c) Committees;
- (d) Officers.

A3.2 This section also contains an overview of the process for approving changes to the Council's budget, including:

- (a) when Director and/or Member approval is required;
- (b) what can be approved within service Schemes of Financial Delegation;
- (c) accounting policies and statement of accounts.

#### **A4 Overview of Roles and Responsibilities for Financial Management**

A4.1 The Constitution sets out in detail the arrangements Council has put in place for decisions to be taken by Members and Officers. The Finance and Contract Procedure Rules apply to the financial implications of all decisions taken under those arrangements. It is important that all decision makers are familiar with the provisions in the constitution and under these Rules which authorise them to make decisions.

A4.2 The following is a "high level" summary of the decision making arrangements contained in the Constitution:-

- (a) Council. Council adopts the Budget and Policy Framework. It also is responsible for discharging a number of functions it has "reserved" for itself. Council has also constituted a number of committees which discharge delegated powers. Section B of the Constitution contains information about the roles and responsibilities of Council and its committees.
- (b) The Cabinet. The Cabinet is responsible for proposing the Budget and Policy Framework to Council. Once approved, the Cabinet is responsible for taking all the necessary steps to implement it. The Cabinet operates collectively, and through individual Cabinet Members.

Section C of the Constitution contains information about the roles and responsibilities of the Cabinet and individual Cabinet Members.

- (c) Officers. Officers are responsible for the vast majority of day to day operational decisions under powers delegated to them by both Council and the Cabinet. In addition there are certain specified officers (“**Statutory**” and “**Proper Officers**”) who are responsible for discharging certain specified functions. Section F of the Constitution contains more information about the roles and responsibilities of Officers.

A4.3 Chief Officers are defined as the Chief Executive, Deputy Chief Executive and Directors and together they form the Council’s Corporate Leadership Team.

## **A5 Budgeting Overview**

A5.1 In February each year, Council sets a budget for the following financial year. Inevitably in a large and complex organisation, changes will need to be made to this approved budget during the year. To ensure that there is appropriate approval and control over these changes, the Council operates two main approaches. These are:

- (a) Changes that have a material financial or policy impact will generally require the approval of Chief Officers and/or Members. The type and level of approval required will depend on the nature of the proposed changes and the source of funding. Specific guidance on the approval process is set out below.
- (b) Changes which are essentially of an administrative nature can generally be approved by officers at or below Director Level. The approval limits for individual officers are set out in each Service’s Internal Scheme of Financial Delegation. This should be reviewed on an annual basis and published on the intranet. Further details about Internal Service Schemes of Financial Delegation are set out in section A15 below.

## **A6 Budget Management Framework**

A6.1 The Director of Corporate Services is responsible for establishing an appropriate framework of budget management and controls that ensures that:-

- (a) budget management is exercised within the annual budget, unless Council agrees otherwise;
- (b) each Director has timely information available 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;
- (d) all officers responsible for committing expenditure comply with relevant guidance, including the Finance and Contract Procedure Rules;
- (e) Each cost centre has a single named manager, determined by the relevant Director and set out in each Internal Service Scheme of Financial Delegation;
- (f) significant variances from approved budgets are investigated and reported by budget managers regularly.

A6.2 Directors are responsible for maintaining budgetary control within their departments, in adherence to the principles set out in this document, and in particular:-

- (a) to ensure that all income and expenditure are properly recorded and accounted for;
- (b) to ensure that an accountable budget manager is identified for each item of income and expenditure under the control of the Director (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;

- (c) To ensure that spending remains within the service's overall approved 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;
- (d) to ensure that a monitoring process is in place to review performance levels/levels of service in conjunction with the budget;
- (e) to prepare and submit reports to the Cabinet on the service's projected expenditure compared with its budget, in consultation with the Director of Corporate Services;
- (f) to ensure prior approval at the appropriate level for new proposals that create financial commitments in future years, change existing policies, initiate new policies or materially extend or reduce the council's services;
- (g) to ensure compliance with the scheme of virement set out in A7-A16;
- (h) to agree with the relevant Director where it appears that a budget proposal, including a virement proposal, may impact materially on another service area or Director's level of service activity;
- (i) to ensure Schemes of Financial Delegation are maintained for each service;
- (j) to ensure best value is obtained in service delivery;
- (k) to ensure that resources are used only for the purposes for which they were intended;
- (l) to prepare regular reports in the approved format on overall financial and non-financial performance and progress against service outcome plan targets (as part of the Council Plan), and for submitting these to the Cabinet, collectively and individually, and the Scrutiny Committee

after consulting the relevant departmental Finance Manager in accordance with agreed procedures. Capital Project Managers will report periodically to their relevant Cabinet Member on the progress and forecast of all capital expenditure and income against the approved programme.

A6.3 The key reporting stages are:

- (a) approval of the service outcome plan, including budget statement and performance targets;
- (b) approval of projects through the Gateway Process, to be included in the Capital Programme;
- (c) quarterly reviews of revenue and capital expenditure. Final outturn reports for both revenue and capital expenditure, including full post-implementation review, on all major capital schemes completed during the year.

A6.4 In addition, the reports will be specifically required to give details in respect of the following:-

- (a) potential overspends and proposed remedial action, including any impact on future year's budgets which may need consideration in the on-going Medium Term Financial Strategy for Policy and Financial Planning;
- (b) amendments to approved budgets such as supplementary revenue and capital estimates where member approval is required;
- (c) write off of bad debts or assets where member approval is required.

## **A7 Budget changes that require Chief Officer and/or Member approval**

A7.1 This section sets out the approval process for changes to the Council's revenue and capital budgets that have a material financial and policy impact. These are the Scheme of Virement. In particular:

- (a) Budget Changes (supplementary revenue estimates and virements) that represent a change to approved policies / increase in expenditure;
- (b) Funding budget changes (supplementary revenue estimates) from General reserves;
- (c) Funding budget changes (supplementary revenue estimates) from Earmarked reserves;
- (d) Use of contingency provisions;
- (e) Scheme of Capital Virements for existing approved allocations;
- (f) Capital Budget Increases for existing allocations;
- (g) Capital Budget Increases for new allocations.

**A8 Budget Changes (supplementary revenue estimates and virements) that represent a change to approved policies / increase in expenditure.**

A8.1 Where services wish to undertake an activity not originally identified in the approved budget, or there is an overall increase in the cash income or expenditure of the Council where this is fully funded, approval must be sought for a supplementary revenue estimate or a virement.

A8.2 The level of approval required will depend on the source and level of funding. Where the source of funding does not include general reserves, earmarked reserves or contingency provisions, the approval levels are as follows:

<b>Approver</b>	<b>Approval Limit</b>
Directors	Up to £100,000
Directors in consultation with relevant Cabinet Members	£100,001 to £250,000
Cabinet Member Legal and Finance	£250,001 to £500,000
Cabinet	£500,001 to £1m
Council	Over £1m.



## **A9 Funding budget changes (supplementary revenue estimates) from General reserves**

A9.1 Supplementary revenue estimates which are to be funded wholly or in part from general reserves, regardless of value, must be approved by Council. Council approval is also required where there are significant implications (as determined by the Director of Corporate Services) for future years' budgets.

<b>Approver</b>	<b>Approval Limit</b>
Council	All values

## **A10 Funding budget changes (supplementary revenue estimates) from Earmarked reserves**

A10.1 For budget changes (supplementary revenue estimates) that are to be funded from earmarked reserves, the approval limits are as follows:

<b>Approver</b>	<b>Approval Limit</b>
Director of Corporate Services	Up to £250,000
Director of Corporate Services in consultation with the Cabinet Member Legal and Finance	£250,001 to £500,000
Cabinet	£500,001 to £1m
Council	Over £1m.

## **A11 Use of contingency provisions**

A11.1 The approval limits for supplementary revenue estimates funded from contingency provisions are:

<b>Approver</b>	<b>Approval Limit</b>
Director of Corporate Services	Up to £500,000
Cabinet Member Legal and Finance	£500,001 to £1m
Cabinet	Over £1m.

## **A12 Scheme of Capital Virements for existing approved allocations**

A12.1 The Council's approved capital programme comprises a series of rolling annual allocations for example ICT, Property Management, and Vehicle Replacement and a number of specific one-off projects. Each of these is

represented by a separate line in the capital programme.

Within each allocation are a number of individual schemes.

A12.2 The approval required to vire funding between allocations and individuals schemes depends on the value of the proposed virement as set out below.

Approval to vire funding between allocations:

<b>Approver</b>	<b>Approval Limit</b>
Director	Up to £100,000
Directors in consultation with relevant Cabinet Members	£100,001 to £250,000
Cabinet Member Legal and Finance	£250,001 to £500,000
Cabinet	£500,001 to £1m
Council	Over £1m

Approval to vire funding between schemes within the same allocation:

<b>Approver</b>	<b>Approval Limit</b>
Director	Total virement is less than £500,000
Relevant Cabinet Member	Total virement exceeds £500,000

A12.3 The Senior Manager for Financial Management should be consulted where there is uncertainty as to the application of these approval limits.

### **A13 Capital Budget increases for existing allocations**

A13.1 Where services wish to increase the level of expenditure on an existing allocation and the funding is not going to be vired from another existing allocation (as set out above), approval must be sought for a capital budget increase (supplementary capital estimate).

A13.2 The level of approval required for the capital budget increase will depend on the source of funding. Where the funding does **not** include the use of additional Council resources (which includes borrowing, capital receipts and capital reserves) the approval limits are as follows:

<b>Approver</b>	<b>Approval Limit</b>
Director	Up to £100,000
Directors in consultation with relevant Cabinet Members	£100,001 to £250,000
Cabinet Member Legal and Finance	£250,001 to £500,000
Cabinet	£500,001 to £1m
Council	Over £1m.

A13.3 Capital budget increases funded wholly or in part from additional Council resources such as reserves (which includes the capital reserve), borrowing and capital receipts, regardless of value, must be approved by Council. Council approval is also required where there are significant implications (as determined by the Director of Corporate Services) for future year's budgets.

<b>Approver</b>	<b>Approval Limit</b>
Council	All values

#### **A14 Capital Budget Increases for new allocations**

A14.1 Where services wish to undertake a new capital scheme which is not already included in the Council's approved capital programme, they must follow the Gateway approval process and prepare a business case for review by the Capital Strategic Board before any Member approval is sought, regardless of value or source of funding. The Capital Strategy includes an Invest to Save Policy and Commercial Asset Disposal and Reinvestment Policy which sets out the additional requirements for any new capital schemes meeting the criteria as set out in those policies.

A14.2 Detailed guidance on the Gateway process and a copy of the Capital Strategy is available on the intranet (iWest).

A14.3 Once approval of the Capital Strategic Board has been obtained, appropriate approval is required before the scheme can commence. The same approval rules (depending on amount and source of funding) apply as for existing schemes (as set in section A12 and A13 above).

## **A15 Administrative changes to revenue budgets overview**

A15.1 Each service will operate an Internal Service Scheme of Financial Delegation governing which officers in each service can make decisions with certain financial implications. Internal Service Schemes of Financial Delegation will include a section on approval of financial and budget transactions.

## **A16 Revenue virements**

A16.1 Some revenue virements are essentially of an administrative nature as they do not involve a change from existing approved policies. Administrative virements would include the following examples:-

- (a) re-analysis of school “one-line” budgets;
- (b) implementation of restructuring and reorganisation proposals that have already received the appropriate level of officer and member approval;
- (c) routine changes to the structure of the chart of accounts;
- (d) changes to notional accounting budgets which are required for reporting purposes but which do not impact on the Councils cash expenditure. Examples include changes to the depreciation and deferred grants budget.

A16.2 Where the virement is of an administrative nature, Member approval is not required and therefore approval will be based on the Internal Service Scheme of Financial Delegation. The relevant Departmental Finance Manager should be consulted where there is uncertainty as to whether a proposed virement constitutes a change of approved policy.

## **A17 Year End Revenue and Capital Carry Forwards**

### Carry forward of underspends

A17.1 During the course of the financial year, services can request permission to provisionally carry forward an underspend at year end. In-year, these carry

forwards will be approved in principle as “subject to outturn”. The approval limits for these in-year individual carry forwards are:

<b>Approver</b>	<b>Approval Limit (per individual item)</b>
Director of Corporate Services	Up to £100,000
Cabinet Member Legal and Finance	Over £100,001

A17.2 All carry forward proposals must be supported by the appropriate justification demonstrating that the resources carried forward will be earmarked for a specific purpose or issue. Directors should include provisional indications of likely carry forward requests in their quarterly reviews of performance.

A17.3 Before approval is sought for a carry forward, Directors should ensure that there are no unfunded overspends within their department. It is extremely unlikely that proposed carry forwards for a service will be approved if there are unfunded overspends elsewhere within the department.

A17.4 For capital budgets, underspends against rolling annual allocations funded from Council resources or unringfenced grant funding will only be approved on an exception basis, with any commitments expected to be the first call on the following year’s capital allocation. For committed one-off schemes re-profiling into future years will be automatically approved provided the scheme remains a priority for the Council at that time.

#### Carry forward of overspends

A17.5 Any residual overspending on a Service revenue budget or capital allocation at outturn may be carried forward as the first call on the following year’s budget.

### **A18 Accounting Policies and Statement of Accounts**

A18.1 The Director of Corporate Services is responsible for the preparation of the Council’s Statement of Accounts, in accordance with proper practices as set out in the format required by the Code of Practice on Local Council Accounting in the United Kingdom for each financial year ending 31 March.

A18.2 The key controls for accounting policies are:-

- (a) Systems of internal control that ensure financial transactions are lawful;
- (b) Suitable accounting policies are selected and applied consistently;
- (c) Accurate and complete accounting records are maintained;
- (d) Financial statements are prepared which present a true and fair view of the financial position of the Council.

A18.3 The Director of Corporate Services is responsible for:-

- (a) Selecting suitable accounting policies and ensuring that they are applied consistently;
- (b) Exercising supervision over financial and accounting records and systems;
- (c) Preparing and publishing reports containing the statements on the overall finances of the Council including the Council's Annual Report and Accounts.

A18.4 The Director of Corporate Services is responsible for determining the accounting procedures and records for the Council. All accounting procedures will be approved by the Director of Corporate Services.

A18.5 Directors are responsible for ensuring that staff in their departments are aware of, and adhere to, the accounting policies, procedures and guidelines set by the Director of Corporate Services.

A18.6 All accounts and accounting records will be compiled by the Director of Corporate Services or under his/her direction. The form and content of records maintained in other Directorates will be approved by the Director of Corporate Services.