

Appendix A - Financial Management

Financial Management Standards

Why this is important

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

Key controls

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

- Their promotion throughout the Council and
- 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 the Full Council

Responsibilities of the Director, Finance, Revenues and Benefits

- 1.3 To ensure the proper administration of the financial affairs of the council
- 1.4 To set financial management standards for the Council, to approve any specific sets of financial management standards such as for maintained schools, and to ensure compliance with them.
- 1.5 To ensure proper professional practices are complied with and to act as head of profession in regard to the standards, performance and development of finance staff throughout the Council
- 1.6 To advise on the key strategic controls necessary to secure sound financial management
- 1.7 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

- 1.8 To promote the financial management standards set by the Director, Finance, Revenues and Benefits in their Departments. To develop a specific set of financial management standards for their own department subject to approval from the Director, Finance, Revenues and Benefits and to monitor adherence to the standards and practices, liaising as necessary with the Director, Finance, Revenues and Benefits.
- 1.9 To promote sound financial practices concerning the standards, performance and development of staff in their Departments.

Accounting Policies

Why this is important

- 1.10 The Director, Finance, Revenues and Benefits is responsible for the preparation of the Council's statement of accounts, in line with proper practices as set out in the format required by the Code of Practice on Local Council Accounting in the United Kingdom: A Statement of Recommended Practice

(CIPFA/LASAAC), for each financial year ending 31 March.

Key controls

1.11 The key controls for accounting policies are:

- systems of internal control are put in place which ensure that financial transactions are lawful
- suitable accounting policies are selected and applied consistently
- proper accounting records are maintained and
- financial statements are prepared which present fairly the financial position of the Council and its expenditure and income.

Responsibilities of the Director, Finance, Revenues and Benefits

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

- separate accounts for capital and revenue transactions
- the basis on which debtors, prepayments, creditors and accruals at year end are included in the accounts
- details on substantial provisions and reserves fixed assets
- depreciation
- capital charges
- work in progress
- stocks and stores
- deferred charges
- accounting for value added tax
- government grants
- leasing
- pensions

Responsibilities of Chief Officers

1.13 To comply with the accounting policies and guidelines as approved by the Director, Finance, Revenues and Benefits.

Accounting Records and Returns Why this is important

1.14 Maintaining proper accounting records is one of the ways in which the Council

discharges

Its responsibilities for stewardship of public resources. The Council has a statutory responsibility to prepare its annual accounts to present fairly its operations during the year and these are subject to external audit. This audit therefore provides assurance that 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 Council's resources.

Key controls

1.15 The key controls for accounting records and returns are:

- all Executive members, finance staff and budget managers operate within the required accounting standards and timetables
- all the Council's transactions, material commitments and contracts and other essential accounting information are recorded completely, accurately and on a timely basis
- procedures are in place to enable accounting records to be reconstituted in the event of systems failure
- reconciliation procedures are carried out to ensure transactions are correctly recorded
- prime documents are retained in line with legislative and other requirements

Responsibilities of the Director, Finance, Revenues and Benefits

1.16 To establish the accounting procedures and records for the Council.

Where these are maintained outside the Finance service, the Director, Finance, Revenues and Benefits should consult the Corporate Director or Service Director concerned.

1.17 To arrange for the compilation of all accounts and accounting records under his or her direction

1.18 To adhere with the following principles when allocating accounting duties:

- separating the duties of providing information about sums due to or from the Council and calculating, checking and recording these sums from the duty of collecting or disbursing them and
- employees with the duty of examining or checking the accounts of cash transactions must not themselves be engaged in these transactions.

1.19 To make proper arrangements for the audit of the Council's accounts in line with the Accounts and audit regulations (as amended)

1.20 To make sure that all claims for funds, which include grants are made by the due date.

- 1.21 To prepare and publish the audited accounts of the council for each financial year, in line with the statutory timetable set out in the Accounts and audit regulations (as amended)
- 1.22 To administer the councils arrangements for under and overspendings to be carried forward to the following financial year.
- 1.23 To ensure the proper retention of financial documents in accordance with the requirements set out in the council's document retention scheme.

Responsibilities of Chief Officers

- 1.24 To consult and obtain the approval of the Director, Finance, Revenues and Benefits before making any changes to accounting records and procedures.
- 1.25 To abide by the principles which are outlined in paragraph 1.18 when allocating accounting duties.
- 1.26 To maintain adequate records to provide a management trail leading from the source of income/expenditure through to the accounting statements.
- 1.27 To supply information required to enable the statement of accounts to be completed in line with the guidelines issued by the Director, Finance, Revenues and Benefits.
- 1.28 To ensure that all claims for funds which include grants for which they have a responsibility are made in line with instructions issued by the Director, Finance, Revenues and Benefits and are completed and returned prior to the due date.

The Annual Statement of Accounts

Why this is important

1.29 The Council has a statutory duty to prepare its own accounts to present fairly its operations during the year. Administration and Regulation Committee is responsible for approving the statutory annual statement of records.

Key controls

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

- The Council 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 Council, that officer is the Director, Finance, Revenues and Benefits and
- The Council's statement of accounts must be prepared in line with proper practices as set out in the Code of Practice on Local Council Accounting in the United Kingdom: A Statement of Recommended Practice (the SORP)(CIPFA/LASAAC).

Responsibilities of the Director, Finance, Revenues and Benefits

- 1.31 To select suitable accounting policies and to apply them consistently
- 1.32 To make judgements and estimates which are reasonable and prudent.

1.33 To comply with the SORP.

1.34 To sign and date the statement of accounts, stating that it presents fairly the financial position of the council at the accounting date and its income and expenditure for the year ended 31 March 2xxx.

1.35 To draw up a timetable for final accounts preparation and to advise staff and external auditors accordingly.

Responsibilities of Chief Officers

1.36 To comply with accounting guidance provided by the Director, Finance, Revenues and Benefits and to supply the Director, Finance, Revenues and Benefits with information when required.

Appendix B - Financial Planning

Performance Plans

Why this is important

2.1 Each local council has a statutory duty to publish various performance plans, which include best value performance plans, crime reduction strategies, community care plans, etc. The purpose of performance plans is that it explains the overall priorities and objectives, current performance, and proposals for further improvement. The council is required to publish annually the best value performance plan (BVPP) which summarises its performance and position in regards to best value. The BVPP is a key element in the council's programme of engaging with the public. External audit is required to report on whether the Council has complied with statutory requirements in regards to the preparation and publication of the BVPP.

Key controls

2.2 The key controls for performance plans are:

- to ensure that all relevant plans are produced and that they are all consistent
- to produce plans in line with statutory requirements
- to meet the timetables set
- to ensure that all performance information is accurate, complete and up to date
- to provide improvement targets which are meaningful, realistic and challenging

Responsibility of the Director, Finance, Revenue and Benefits

2.3 To advise and supply the corporate financial information which needs to be included in the performance plans in line with statutory requirements and agreed timetables.

Responsibilities of Chief Officers

- 2.4 To contribute to the development of corporate and service targets and objectives and performance information
- 2.5 To ensure that systems are in place to measure activity and collect accurate information for use as performance indicators
- 2.6 To ensure that performance information is monitored sufficiently frequently to allow corrective action to be taken if targets are not likely to be met.
- 2.7 To contribute to the development of performance plans in accordance with statutory requirements.
- 2.8 To contribute to the development of corporate and service targets and objectives and performance information.

Budgeting

Format
of the
Budget
Why this
is
important

2.9 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

2.10 The key controls for the Budget format are:

- the format complies with all legal requirements
- the format complies with CIPFA's Best Value Accounting- Code of Practice and
- the format reflects the accountabilities of service delivery

Responsibilities of the Director, Finance, Revenue and Benefits

- 2.11 To advise the Executive regarding the format of the Budget for approval by Full Council.

Responsibilities of Chief Officers

- 2.12 To comply with accounting guidance provided by the Director Finance, Revenues and Benefits.

Why this is important

- 2.13 Budget management ensures that once Full Council has approved the Budget, resources allocated are used for their intended purposes and are properly accounted for. Budgetary control is a continuous process which enables the Council 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 Council can identify changes in trends and resource requirements at the earliest opportunity. The Council itself operates within an annual cash limit, approved when setting the overall budget. To ensure that the Council 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 by the Corporate Director or Service Director's departmental scheme of delegation.

Key controls

2.16 The key controls for managing and controlling the Revenue Budget are:

- Budget managers should be accountable only for income and expenditure that they can influence
- there is a nominated Budget manager for each cost centre heading
- Budget managers accept accountability for their budgets and the level of service to be delivered and understand their financial responsibilities
- Budget managers follow an approved certification process
for all expenditure income and expenditure are properly recorded and accounted for
- 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 Director Finance, Revenues and Benefits

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

- Budget management is exercised within annual cash limits unless Full Council agrees otherwise
- 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

- expenditure is committed only against an approved budget head
- all officers responsible for committing expenditure comply with relevant guidance, and the financial Regulations
- each cost centre has a single named manager, decided by the relevant Chief Officer. As a general principle, budget responsibility should be aligned as closely as possible to the decision-making process that commits expenditure and
- significant variances from approved budgets are investigated and reported by budget managers regularly

2.18 To administer the Council's Scheme of Devolved Financial Management

2.19 To be consulted by a Chief Officer where that Chief Officer believes that he or she is unable to maintain expenditure within budget, prior to the Chief Officer preparing a report to Corporate Leadership Team and the Executive.

2.20 To prepare and submit reports on the Council'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 paragraph 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. 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 services 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. Should any Service be unable to remain within its cash limit, the Chief Officer must consult with the Director, Finance, Revenues and Benefits prior to reporting to Corporate Leadership Team.

2.24 To ensure that a monitoring process is in place in order to review performance levels/levels of service in conjunction with the budget and is operating effectively.

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

- create financial commitments in future years
- change existing policies, initiate new policies or cease existing policies or
- materially extend or reduce the Council's services.

2.26 To ensure compliance with the scheme of devolved financial management.

2.27 To be in agreement with the relevant Chief Officer where it appears that a budget proposal, including a virement proposal, may impact materially on another service area or the Chief Officer's level of service activity.

Budgets and Medium-term Planning

Why this is important

2.28 The Council is a complex organisation responsible for delivering a wide variety of services.

It needs to plan effectively and to develop systems that enable scarce resources to be allocated in line with carefully weighed priorities. The Budget is the financial expression of the Council's plans and policies.

2.29 The Revenue Budget must be constructed to ensure that resource allocation properly reflects the service plans and priorities of the Full Council. Budgets (spending plans) are required so that the Council can plan, authorise, monitor and control the way money is allocated and spent. It is illegal for a local council to budget for a deficit.

2.30 Medium-term planning (or a three to five-year planning system) 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 Council is always preparing for events in advance.

Key controls

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

- specific budget approval for all expenditure
- 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
- 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 Director, Finance,

Revenues and Benefits

2.32 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.

- 2.33 To determine the detailed form of revenue estimates and the methods of their preparation, consistent with the budget approved by Full Council and after consultation with the Executive and Chief Officers.
- 2.34 To prepare and submit reports to the Executive on the aggregate spending plans of departments and on the resources available to fund them, identifying, where appropriate, the implications for the level of council tax to be levied.
- 2.35 To advise on the medium-term implications of spending decisions
- 2.36 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.
- 2.37 To advise Full Council on Executive proposals in line with his or her responsibilities under section 151 of the Local Government Act 1972.

Responsibilities of Chief Officers

- 2.38 To prepare estimates of income and expenditure, in consultation with the Director, Finance, Revenues and Benefits, to be submitted to the Executive.
- 2.39 To prepare budgets which are consistent with any relevant cash limits, with the Council's annual budget cycle and with guidelines issued by the Executive. The format should be prescribed by the Director, Finance, Revenues and Benefits in line with Full Council's general directions.
- 2.40 To integrate financial and budget plans in service planning so that budget plans can be supported by financial and non-financial performance measures.
- 2.41 In consultation with the Director, Finance, Revenues and Benefits and in line with the guidance and timetable, to prepare detailed draft revenue and capital budgets for consideration by the appropriate Committee.
- 2.42 When drawing up draft budget requirements, to have regard to:
- spending patterns and pressures revealed through the budget monitoring process
 - legal requirements
 - policy requirements as defined by Full Council in the approved policy framework and
 - initiatives already under way

Resource Allocation

Why this is important

- 2.43 A mismatch can exist between available resources and required resources. A common

scenario is for example, that available resources are not adequate to fulfil need/desire. It is therefore imperative that needs/desires are prioritised and resources are fairly allocated, in order to fulfil all legal responsibilities. Resources may include staff, money, equipment, goods and materials.

Key controls

2.44 The key controls for resource allocation are:

- resources are acquired in line with the law and using an approved authorisation process
- resources are used only for the purpose intended, to achieve the approved policies and objectives, and are properly accounted for
- resources are securely held for use when required and
- resources are used with the minimum level of waste, inefficiency or loss of other reasons

Responsibilities of the Director, Finance, Revenues and Benefits

2.45 To advise on methods available for the funding of resources such as council tax, business rates, income generation, grants from central government and internal and external borrowing requirements.

2.46 To assist in the allocation of resources to budget managers

Responsibilities of Chief Officers

2.47 To work within Budget limits and to utilise resources allocated and further allocate resources in the most efficient, effective and economic way

2.48 To identify opportunities to minimise or eliminate resource requirements or consumption and to manage demand without having a detrimental effect on service delivery.

Capital programmes

Why this is important

2.49 Capital expenditure refers to acquiring or enhancing fixed assets with a long-term value to the

Council, such as land, buildings and major items of plant, equipment or vehicles. Capital assets shape service delivery in the long term and create financial commitments for the future in the form of financing costs and revenue running costs.

2.50 This means that capital expenditure should form part of an investment strategy and requires prioritisation in order to maximise the benefit of scarce resources.

Key controls

2.51 The key controls for all capital programmes, including the Housing Revenue

Account are:

- specific approval by Full Council for the programme of capital expenditure, which shall not exceed the approved total of capital resources and shall comply with the Prudential Code and the Capital strategy.
- expenditure on capital schemes proposed to be funded by Prudential Borrowing is subject to the approval of the Director, Finance, Revenues and Benefits
- a scheme and estimate, including project plan, progress targets and associated revenue expenditure is prepared for each capital project, for approval by the Executive
- Major projects will require a business plan prepared in accordance with HM Treasury's standard approach: The "Green Book" and 'The Five Case Model'.
- proposals for improvements and alterations to buildings must be approved by the Director, Property and Infrastructure
- schedules for individual schemes within the overall budget approved by Full Council must be submitted to the Executive for approval (for example, minor works), or under other arrangements approved by Full Council
- the development and implementation of asset management plans
- accountability for each proposal is accepted by a named manager
- monitoring of progress in conjunction with expenditure and comparison with approved budget
- project appraisal for all new projects

Responsibilities of the Director, Finance, Revenue and Benefits.

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

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

2.54 To issue guidance concerning capital schemes and controls, for example, on project appraisal techniques. The Director, Finance, Revenues and Benefits, with regard to government Regulations and accounting requirements, will determine the definition of 'capital'.

2.55 To ensure authorisation of capital schemes is in line with the requirements of standing orders.

Responsibilities of Chief Officers

2.56 To comply with guidance concerning capital schemes and controls issued by the Director, Finance, Revenue and Benefits.

2.57 To ensure that all capital proposals have undergone a project appraisal in line with guidance issued by the Director, Finance, Revenue and Benefits.

2.58 To prepare regular reports to the Executive reviewing the capital programme provisions for their services.

- 2.59 To ensure that adequate records are maintained for all capital contracts.
- 2.60 To proceed with projects only in line with the requirements of Standing Order 90, after verifying that sources of funding have been confirmed.
- 2.61 To prepare and submit reports to the Executive, of any variation in contract costs greater than the approved limits.
- 2.62 To prepare and submit reports to the Executive, on completion of all contracts where the final expenditure exceeds the approved contract sum by more than the specified amount.
- 2.63 To ensure that credit arrangements such as leasing agreements, are not entered in to without prior approval of the Director, Finance, Revenues and Benefits and if applicable, the approval of the scheme through the capital programme.
- 2.64 To consult with the Director, Property and Infrastructure and the Director, Finance, Revenues and Benefits and to seek Executive approval where the Chief Officer proposes to bid for funding to support expenditure that has not been included in the current year's capital programme.

Maintenance of Reserves

Why this is important

2.65 The Council must make a decision on the level of general reserves that it wishes to maintain before it can decide on the level of council tax. Reserves are maintained as a matter of prudence. They allow the Council to provide for unexpected events and thus 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

- 2.66 To maintain reserves in line with the Code of Practice on Local Council Accounting in the United Kingdom: A Statement of Recommended Practice (CIPFA/LASAAC) and agreed accounting policies.
- 2.67 For each reserve determined, the purpose, usage and basis of transactions should be clearly identified.
- 2.68 Authorisation and expenditure from reserves to be approved by the Executive on the recommendation of the Director, Finance, Revenues and Benefits.

Responsibilities of the Director, Finance, Revenues and Benefits

- 2.69 To advise the Executive and/or the Full Council on prudent levels of reserves for the Council, and to take account of the advice of the external auditor in this matter.

Responsibilities of Chief Officers

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