

Luton Borough Council Constitution

Section 3: Rules & regulations

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Section 3: Governance

Part 3 B: Financial Regulations

1. Introduction

1.1 Introduction

- 1.1.1 Financial Regulations provide the governance framework for managing the Council's financial affairs. They apply to every Member and Officer of the Council and anyone acting on its behalf.
- 1.1.2 The Regulations identify specific financial responsibilities of the Full Council, Executive and Scrutiny members, the Director, Finance, Revenues and Benefits, Corporate Directors and Service Directors. Executive members, Corporate Directors and Service Directors are required to maintain a written record when decision-making requires delegation to others.
- 1.1.3 These Regulations should be read in conjunction with the more detailed information covering the following topic areas that can be accessed from the Council's website:
 - (1) Financial Management and Planning
 - (2) Risk Management and Controls
 - (3) Anti-Fraud, Bribery & Corruption
 - (4) Financial Systems and Procedures
 - (5) Partnerships & External Arrangements
- 1.1.4 All Members, officers and those acting for the Council have a responsibility for taking reasonable action to provide for the security of the assets under their control, and for ensuring that the use of these resources is legal, properly authorised, and achieves value for money. In doing so, proper consideration is required at all times to matters of probity and propriety in managing the Council's assets, income and expenditure.
- 1.1.5 The Director, Finance, Revenues and Benefits is responsible for maintaining a continuous review of the Financial Regulations and submitting any actions or changes necessary to the Full Council for approval. The Director, Finance, Revenues and Benefits is also liable for reporting where appropriate, breaches of the Financial Regulations to the Full Council (in respect of non-Executive functions) or to the Executive (in respect of Executive functions).
- 1.1.6 Chief Officers (as defined in the Council's Standing Orders) are responsible for ensuring staff in their departments are aware of, and comply with, the Council's Financial Regulations and other internal regulatory documents.
- 1.1.7 The Director, Finance, Revenues and Benefits is responsible for issuing advice and guidance to underpin the Financial Regulations that Members, Officers and others acting on behalf of the Council are required to adhere to.
- 1.1.8 These Regulations are part of the Council's Constitution and need to be read in conjunction with the other parts of the Constitution and in particular Part 2 A (Articles of the Constitution) and Part 3 A (Standing Orders). Where there is a case of conflict between the Articles of the Constitution and or Standing Orders and these Financial Regulations or the Scheme of Devolved Financial Management, the Articles of the Constitution or Standing Orders (as the case may be) shall prevail.
- 1.1.9 The overall framework of financial control is:

- (1) Articles of the Constitution - The Council's overall Constitution/Framework
 - (2) Standing Orders - The rules governing the Council's general administration and procedures
 - (3) Financial Regulations - The rules governing the council's financial administration. These reference financial procedures detailing how the general rules should be applied
 - (4) Scheme of Devolved Financial Management (Appended to Financial Regulations) - The specific rules of financial responsibility and budgetary control for cost centre managers
 - (5) Financial Management Standards - Specific standards for the performance of Financial Management tasks by officers of all departments which are issued by or on behalf of the Director, Finance , Revenue and Benefits
- 1.1.10 Subject to 1.1.7 above, the Scheme of Devolved Financial Management has the same standing as the Financial Regulations.
- 1.1.11 Any Officer who has a query with reference to the Financial Regulations must ask their line manager for assistance. If the query remains, they may contact the Director, Finance, Revenues and Benefits for clarification.
- 1.1.12 There should be no departure from either the Financial Regulations or the Scheme of Devolved Financial Management without prior written agreement from the Director, Finance, Revenues and Benefits. Any unauthorised departure must to be reported immediately to the Director, Finance, Revenues and Benefits.

2. Financial Management

2.1 Introduction

2.1.1 Financial management covers all financial accountabilities in relation to the running of the Council, including the Policy Framework and Budget. All Members, officers and those acting on behalf of the Council have a common duty to abide by the highest standards of integrity and propriety when making decisions relating to the use of public money.

2.2 The Full Council

2.2.1 Full Council is responsible for approving the Council's overall Policy Framework and the budget within which the Executive operates, the annual statement on minimum revenue provision and the Council's treasury management and investment strategies. Its responsibilities also include setting the prudential indicators for the capital finance and treasury management. It is also responsible for approving and monitoring compliance with the Council's overall framework of accountability and control.

2.3 The Executive

2.3.1 The Executive is responsible for proposing the Policy Framework and Budget Framework to Full Council, and for discharging Executive Functions in line with the Policy Framework and Budget Framework.

2.3.2 Executive decisions can be delegated to a Committee of the Executive, an officer or a Joint Committee.

2.4 Committees of the Council

2.4.1 The Overview and Scrutiny Board and Scrutiny Task and Finish Group

- (1) The Overview and Scrutiny Board is responsible for scrutinising Executive decisions before or after implementation and for holding the Executive to account. There is also Scrutiny Finance Review Group to scrutinise the budget preparations processes and budget setting options, Scrutiny Task and Finish Groups are set up as and when required to review specific issues.

2.4.2 Audit and Governance Committee

- (1) The Audit and Governance Committee is responsible for overseeing the financial reporting process and approving the Council's Statement of Accounts, together with oversight and anti-fraud activity and are responsible for the ongoing review of corporate governance.

2.5 The Statutory Officers

2.5.1 Head of Paid Service (Chief Executive)

- (1) The Chief Executive is responsible for the corporate and overall strategic management of the Council as a whole, including finance.

2.5.2 Monitoring Officer

- (1) The Monitoring Officer and Director, Finance, Revenues and Benefits are together responsible for advising the Executive or Full Council about any decision that is likely to be considered contrary or not wholly in line with the Budget Framework. Actions that may be contrary to the Budget Framework include:
 - (2) initiating a new policy

- (3) committing expenditure in future years to above the budget level
- (4) incurring interdepartmental transfers above virement limits and
- (5) causing the total expenditure financed from council tax, grants and corporately held reserves to increase, or to increase by more than a specified amount.

2.5.3 Director, Finance Revenues and Benefits

- (1) The Director, Finance, Revenues and Benefits has statutory duties in regards to the financial administration and stewardship of the council. This is a statutory responsibility and arises from:
 - (a) Section 151 of the Local Government Act 1972
 - (b) The Local Government Finance Act 1988
 - (c) The Local Government and Housing Act 1989 and
 - (d) The Accounts and audit regulations (as amended)
 - (e) The Local Authorities Goods and Services Act 1970
 - (f) The Local Government Acts 2000 and 2003
 - (g) The Localism Act 2011
- (2) The Director, Finance, Revenues and Benefits is responsible for:
 - (a) the proper administration of the Council's financial affairs
 - (b) setting and monitoring compliance with financial management standards
 - (c) advising on the corporate financial position and on the key financial controls necessary to secure sound financial management
 - (d) providing financial information
 - (e) preparing the revenue budget and capital programme and
 - (f) treasury management
 - (g) maintaining an adequate and effective internal audit function and an effective anti-fraud, bribery and corruption strategy
 - (h) advising on the systems of internal control necessary for sound financial management, to ensure that public funds are properly safeguarded
 - (i) determining the accounting standards, procedures and records for the Council and ensuring that they are applied consistently
 - (j) preparing the Council's annual statement of accounts and governance statement in accordance with all applicable codes on local council accounting, and
 - (k) preparing the Council's risk management policy and strategy and advising on the management of strategic, financial and operational risks.
- (3) Section 114 of the Local Government Finance Act 1988 requires the Director, Finance, Revenues and Benefits to report to the Full Council, Executive and External Auditor if the Council or one of its Officers:
 - (a) has made, or is about to make, a decision which involves incurring unlawful expenditure

- (b) has taken, or is about to take, an unlawful action which has resulted or would result in a loss or deficiency to the Council or
 - (c) is about to make an unlawful entry in the Council's accounts
- (4) Section 114 of the 1988 Act also requires:
- (a) The Director, Finance, Revenues and Benefits to nominate a properly qualified member of staff to deputise should he or she be unable to perform the duties under section 114 personally and
 - (b) The Council to provide the Director, Finance, Revenues and Benefits with sufficient staff, accommodation and other resources (including legal advice where this is necessary), to carry out the duties under section 114.

2.6 Chief Officers

2.6.1 Chief Officers are responsible for:

- (1) developing and maintaining a culture in their departments or services that enables them to achieve the statutory best value duty by making arrangements to secure continuous improvement in the way in which [the Council's functions are exercised having regard to a combination of economy, efficiency and effectiveness, ensuring that the consideration of overall value includes economic, environmental and social value
- (2) ensuring all proposals for service development are tested against the best value duty and only taken forwards if shown to meet this
- (3) ensuring that their department or service continues to focus on the development of viable best value proposals to achieve efficiency savings, procurement savings, transformational and service changes to help meet Council savings targets
- (4) ensuring that the financial implications of all proposals for development or change affecting their departments or services are properly assessed and that all reports to departmental management teams and/or corporate leadership management team address and quantify as far as possible the full financial implications that could arise as a result
- (5) ensuring that the Executive is advised of the financial implications of all proposals and that any financial implications have been discussed and agreed by the Director Finance, Revenues and Benefits or their nominated representative
- (6) signing contracts, in accordance with the provisions of the Council's Standing Orders, on behalf of the Council, when the Chief Officer is satisfied that due process has been followed with regard to procurement, value for money and legal compliance

2.6.2 It is the duty of the Chief Officers to consult with the Director, Finance, Revenues and Benefits and discuss any matter liable materially to affect the Council's finances, before any commitments are agreed.

2.7 Financial Procedures and Management Standards

2.7.1 All Members and officers have a duty to abide by the highest standards of probity in dealing with financial issues. The financial procedures set out as Appendices give specific examples of how this is to be applied in certain instances. In addition, the Director, Finance, Revenues and Benefits may issue detailed guidance or standards to cover particular areas. It is important that all staff who interact with Finance make themselves aware of the standards, systems, processes, procedures and guidance issued.

2.8 Other Financial Accountabilities

(1) Scheme of Devolved Financial Management

- (a) The Scheme of Devolved Financial Management 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 Full Council and therefore to optimise the use of resources . The Scheme is included at Appendix A.

(2) Key controls

- (a) Key controls for the Scheme of Devolved Financial Management are that:
- i. it is administered by the Director, Finance, Revenues and Benefits within guidelines set by the Full Council. Any variation from this Scheme requires the approval of the Full Council
 - ii. 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 of the Scheme cover virement; that is, switching resources between approved estimates or heads of expenditure and
 - iii. virement does not create additional overall budget liability. In consultation with the Director Finance, Revenue and Benefits, Chief Officers (or budget managers with the appropriate Chief Officer's approval) may vire (transfer) any revenue budget within their responsibility and control for any lawful purpose relating to the department for which they are responsible providing that:
 - a. the virement is within the estimate approved by Council for the relevant department
 - b. the purpose for the virement is required is within the Budget and Policy Framework
 - c. no commitment to a higher overall level of expenditure in future financial years is entered into
 - d. the amount in question does not exceed the maximum allowed in accordance with the Scheme.
 - e. no other department is affected, subject to where a budget transfer between budgets is controlled by more than one Chief Officer, in which case, all the Chief Officers concerned must agree the transfer.

2.9 Responsibilities of Cost Centre Managers

2.9.1 Cost centre managers are responsible for the day-to-day management of their respective unit's finances. Their responsibilities in relation to financial management include:

- (1) promoting and ensuring compliance with these Financial Regulations and any specific guidance issued by the Director, Finance, Revenues and Benefits , and informing the Director, Finance, Revenues and Benefits, as well as taking corrective action, in the event of any non-compliance;
- (2) preparing annual revenue budget estimates and capital programme estimates in accordance with the guidance issued by the Executive and Director, Finance, Revenues and Benefits

- (3) managing service delivery and containing expenditure within the approved revenue and capital budgets;
- (4) maintaining rigorous systems of internal control and implementing agreed internal and external audit recommendations;
- (5) complying with the Council's anti-fraud, bribery and corruption strategy and reporting suspected fraud, attempts at bribery and financial irregularities to internal audit for investigation;
- (6) complying with the Council's risk management strategy and procedures;
- (7) ensuring that all financial transactions are properly recorded on the Council's accounting system;
- (8) assisting cash flow through ensuring timely billing of income due, monitoring income received and ensuring that appropriate action is taken in the event of non-payment;
- (9) ensuring that all expenditure is incurred in accordance with the Council's purchase order system, is correctly coded and has the necessary budget approval;
- (10) ensuring the proper security and safe custody of all assets under their control
- (11) ensuring that all budget virement, transfers or reallocations to, from or within their budgets is in accordance with the Scheme of Devolved Financial Management

2.10 Responsibilities of all Officers

2.10.1 In addition to specific responsibilities set out above, the Council expects all officers to:

- (1) exercise due care in relation to all resources, assets, income and expenditure within their care or control
- (2) ensure that proper records and documentation are maintained of the Council's assets and financial transactions for which officers are responsible
- (3) comply with these regulations and any additional guidance issued to ensure the effective control of the Council's resources
- (4) co-operate in audits of the Council's systems
- (5) report to the Audit Manager any suspected financial irregularities for investigation

3. Financial Planning

3.1 Introduction and Purpose

- 3.1.1 The purpose of financial planning is to set out and communicate the Council's financial objectives and resource allocations linked to the Corporate Plan objectives, Service Plans and performance targets. This provides an approved and agreed foundation for subsequent management control, accountability and reporting.
- 3.1.2 Budgets are in place to ensure that the Council can plan, authorise, monitor and control the way money is allocated and spent. The preparation of an annual budget is a legal requirement, and it is unlawful for the Council to budget for a deficit.
- 3.1.3 The Capital Programme sets out the resource allocation for proposals made to capital schemes that are included in the programme. Inclusion in the programme does not automatically provide approval to spend. To gain approval for capital scheme expenditure, the procedures set out in these regulations need to be followed and will only be incurred once an individual scheme has been rigorously assessed and approved, in order to ensure public money is spent appropriately. Capital expenditure is only available to acquire or enhance fixed assets with a long-term value to Luton Council, such as land, buildings, and major items of equipment, plant or vehicles.
- 3.1.4 To enable Members to make informed decisions, all Executive, Full Council and Committee reports must incorporate a section on 'Financial Implications', this is prepared by the report author, and sent to the Director, Finance, Revenues and Benefits, or his nominated representative, for review and approval. Reports must show the costs or savings of proposals together with the approved budget provision, future commitments, potential financial risks, tax implications and any other financial consequences which may arise from the options and recommendations. All appraisals of policies, programmes and projects have to follow best practice such as the "Green Book" issued by HM Treasury alongside other guidance issued by Director, Finance, Revenues and Benefits.

3.2 Budget Format

- 3.2.1 The Executive propose the format of the budget, with advice from the Director, Finance, Revenues and Benefits with final approval by Full Council. The draft Budget should include allocation by major service area and expenditure type, together with any specific growth proposals, savings options, proposed taxation levels and contingency funds.

3.3 Budget and Medium Term Financial Plan and Financial Strategy preparation

- 3.3.1 The Director, Finance, Revenues and Benefits is responsible for ensuring that an annual Revenue Budget is prepared, together with an explanatory report that will include the capital programme, the identification and quantification of budget risks and the development of a budget risk management strategy. These documents are prepared alongside and with reference to a medium term financial plan and financial strategy demonstrating the Council's financial sustainability, and considered by the Executive, before submission to Full Council. Full Council may amend the Budget or ask the Executive to reconsider it before approval.
- 3.3.2 The Director, Finance, Revenues and Benefits will provide a report to the Executive that sets out the context for budget planning and preparation, including national as well as local issues in relation to spending pressures, resource availability, medium term planning prospects, together with any relevant government initiatives and legal requirements. The Executive then provide guidance to officers on the preparation of the Budget.

3.3.3 It is the responsibility of Chief Officers to ensure budget estimates reflecting agreed service plans are submitted to the Executive and these estimates are prepared in line with Executive approved guidance issued by the Director Finance, Revenues and Benefits.

3.4 Budget monitoring and control

3.4.1 The Director, Finance, Revenues and Benefits is responsible for providing appropriate financial information to enable budgets to be monitored effectively. He or she must monitor and control expenditure against budget allocations and report to the Executive on the overall position on a regular basis.

3.4.2 It is the responsibility of Chief Officers to control income and expenditure within their area and to monitor performance, taking account of financial information provided by the Director, Finance, Revenues and Benefits. They should report on variances within their own areas. They should also take any action necessary to avoid exceeding their budget allocation and alert the Director, Finance, Revenues and Benefits to any problems.

3.5 Preparation of the Capital Programme

3.5.1 The Director, Finance, Revenues and Benefits is responsible for the co-ordination of Capital Programme preparations on an annual basis for consideration by the Executive before submission to Full Council.

3.5.2 The Director, Finance, Revenues and Benefits is responsible for estimating the resources available to fund the capital expenditure programme and for ensuring that the total cost of the programme recommended to the Executive shall not exceed the resources estimated to be available. The Executive will be provided with the full list of bids for capital resources, and the rationale for determining the recommendations put forward.

3.6 Guidelines

3.6.1 Guidelines on budget preparation are issued to Members Chief Officers by the Executive following agreement with the Director, Finance, Revenues and Benefits.

3.6.2 The guidelines will take account:

- (1) Legal requirements
- (2) Medium-term planning prospects
- (3) The Corporate Plan
- (4) Available resources
- (5) Spending pressures
- (6) Best value and other relevant government guidelines
- (7) Other internal policy and documents
- (8) Cross-cutting issues (where relevant)

3.7 Maintenance of Reserves

3.7.1 It is the responsibility of the Director, Finance, Revenues and Benefits to advise the Executive and/or Full Council on prudent levels of reserves for the Council.

4. Risk Management and Control of Resources

4.1 Introduction and Purpose

- 4.1.1 Comprehensive systems of internal control and risk management are essential for ensuring economic, efficient and effective use of resources, the achievement of objectives, and the safeguarding of public funds.
- 4.1.2 Risk management is an essential part of management and planning. The identification of risks, and the mitigation and management of those risks, is vital to meet agreed objectives. This requires proactive participation from those responsible for planning and delivering services.
- 4.1.3 Members, Officers and anyone undertaking work on behalf of the Council will act with integrity and due regard to matters of probity and propriety. They will comply with all relevant rules, regulations, procedures and codes of conduct, including receipt of gifts and hospitality and disclosures of interests.
- 4.1.4 The Council will not tolerate fraud or corruption in the administration of its responsibilities, whether perpetrated by Members, officers, customers of its services, third party organisations contracting with it, or other agencies or individuals with which it has any business dealings.

4.2 Risk Management

- 4.2.1 The Executive is responsible for approving the Council's Risk Management Policy Statement and strategy, for reviewing the effectiveness of risk management, and for determining the risks that require insurance, together with the levels of insurance required.
- 4.2.2 The Director, Finance, Revenues and Benefits is responsible for:
- (1) preparing the Council's Risk Management Policy Statement and strategy
 - (2) promoting risk management throughout the Council, and advising on the principles of the management of risk
 - (3) advising the Executive on proper insurance cover where appropriate, including where self-insurance can be considered
 - (4) determining appropriate levels of insurance reserve and provision where self-insurance is maintained
- 4.2.3 Chief Officers are responsible for ensuring that in all reports to Departmental Management Teams, the Corporate Leadership Team, Committees of the Council, Executive and Full Council, the risks and opportunities are fully explored. The report must include the risk implications of undertaking any proposed course of action, and the effective mitigation of the identified risks in order to achieve the desired outcomes.
- 4.2.4 Chief Officers are responsible for ensuring that following, implementation of any significant project within their department, a Lessons Learned review is completed and report developed to document all learning.
- 4.2.5 Chief Officers have responsibility to:
- (1) ensure the implementation of the Council's risk management strategy throughout their service areas

- (2) enable the ongoing review of the internal operating controls to ensure risk is managed at service level, for all new initiatives, projects, and changes. This provides assurance regarding the continuing effective working of controls identifies new risks and assesses how risks are managed
 - (3) provide a named manager is allocated to manage and monitor each risk in accordance with instructions risk management strategy and guidance as issued by the Director, Finance, Revenue and Benefits
- 4.2.6 ensure that all risks identified in their service, whether ongoing or project specific, are pro-actively and effectively managed, in order to ensure that the objectives of the service and the Council are achieved in the most effective, efficient and economic ways possible
- 4.2.7 It is the overall responsibility of the Executive to approve the Council's Risk Management Policy Statement and strategy and to promote a culture of risk management awareness throughout the Council.

4.3 Internal Control

- 4.3.1 Internal control refers to the systems of control devised by management to help ensure the Council's objectives are achieved in a manner which promotes economical, efficient and effective use of resources and that the Council's assets and interests are safeguarded.
- 4.3.2 Chief Officers are responsible for:
- (1) ensuring that effective systems of internal control are implemented and operating appropriately throughout their services, including adequate separation of duties, clear authorisation levels, and appropriate arrangements for supervision and performance monitoring;
 - (2) ensuring that those systems of internal control are subjected to ongoing reviews and improvements wherever necessary;
 - (3) ensuring that appropriate action is taken in respect of any non-compliance in relation to internal control systems
 - (4) providing assurance to the Director, Finance, Revenues and Benefits regarding the effectiveness of the operation of internal controls, as a key part of the overall assessment of effectiveness used to inform the Annual Governance Statement.
- 4.3.3 The Audit Manager is responsible for advising on effective systems of internal control. These arrangements have to meet compliance with all applicable Statutes and Regulations as well as other relevant statements of best practice. Chief Officers are responsible for ensuring public funds are properly safeguarded, used economically, efficiently and in line with the statutory obligations and other authorities that govern their use.
- 4.3.4 It is the duty of Chief Officers to determine sound arrangements for planning, appraising, authorising and controlling their operations in order to achieve continuous improvement, economy, efficiency and effectiveness and for achieving their financial performance targets.

4.4 Audit Requirements

- 4.4.1 Accounts and audit regulations (as amended) require every local council to uphold an adequate and effective internal audit.
- 4.4.2 The Audit Commission has a duty to appoint external auditors to each local council. The basic duties of the external auditor are governed by section 15 of the Local Government Finance Act 1982 as amended by section 5 of the Audit Commission Act 1998.

- 4.4.3 The Council may from time to time be subject to audit, inspection or investigation by external bodies such as HMRC who have statutory rights to access.
- 4.4.4 The Director, Finance, Revenues and Benefits is responsible for:
- (1) maintaining an adequate and effective internal audit service in accordance with the Accounts and Audit Regulations;
 - (2) ensuring that the Council has an external auditor appointed in accordance with the provisions of the Local Audit and Accountability Act 2014, and the Local Audit (Appointing Person) Regulations 2015
- 4.4.5 Full Council is responsible for determining whether the appointment of the External Auditor will be made via an Auditor Panel established by the Council, a Joint Auditor Panel established with other Councils, or by a Sector Led body approved by the Secretary of State responsible, in accordance with the Local Audit (Appointing Person) Regulations.
- 4.4.6 Chief Officers are responsible for:
- (1) ensuring that auditors have access to all documents and records for the purposes for the audit and are afforded all facilities, co-operation and explanations required;
 - (2) co-operating in the production of annual audit plans by highlighting any areas of risk that may benefit from audit review;
 - (3) implementing audit recommendations within agreed timescales.
- 4.5 Preventing Fraud and Corruption**
- 4.5.1 The Audit Manager is responsible for the development and maintenance of an anti-fraud and anti-corruption policy.
- 4.5.2 The Council will not tolerate fraud and corruption in the administration of its responsibilities, whether from inside or outside the Council.
- 4.5.3 Each Chief Officer is accountable for the successful implementation of controls which are designed to prevent and/ or to detect fraud within their departments.
- 4.6 Assets**
- 4.6.1 Chief Officers should make sure that the records and assets are properly maintained and securely held. They also need to make sure that contingency plans for the security of assets and continuity of service in the event of a disaster or a system failure are in place.
- 4.7 Treasury Management**
- 4.7.1 The Council has adopted CIPFA's Code of Practice for Treasury Management in the Public Services.
- 4.7.2 The Council has a Treasury Management Policy Statement and Treasury Management Practices which follow the recommendations set out in the Code of Practice. The Director, Finance, Revenues and Benefits has delegated responsibility for implementing and monitoring the statement.
- 4.7.3 All money in the hands of the Council is controlled by the officer who is designated for the purposes of section 151 of the Local Government Act 1972, referred to in the code as the Chief Financial Officer who in Luton is the Director, Finance, Revenues and Benefits.
- 4.7.4 The Director, Finance, Revenues and Benefits is responsible for reporting to the Executive, for the approval of Full Council, a proposed treasury management strategy and investment strategy for the coming financial year at or before the start of each financial year.

4.7.5 All Executive decisions on borrowing, investment or financing will be delegated to the Director, Finance, Revenues and Benefits, who is required to act in line with CIPFA's Code of Practice for Treasury Management in the Public Services.

4.7.6 The Director, Finance, Revenues and Benefits is responsible for reporting to the Executive not less than four times in each financial year on the activities of the treasury management operation and on the exercise of his or her delegated treasury management powers. One such report will comprise an annual report on treasury management for presentation by 30 September of the succeeding financial year.

4.8 Staffing

4.8.1 The Full Council is responsible for determining how officer support for Executive and non-Executive functions within the Council will be organised.

4.8.2 The Head of Paid Service is in charge of providing overall management to staff. He or she is also in charge of ensuring that there is proper use of the evaluation or other agreed systems for determining the remuneration of a job.

4.8.3 Chief Officers are in charge of controlling total staff numbers by:

- (1) Advising the Executive on the budget necessary in any given year to cover estimated staffing levels
- (2) Adjusting the staffing to a level that can be funded within approved budget provision, varying the provision as necessary within that constraint in order to meet changing operational needs and
- (3) The proper use of appointment procedures

5. Financial Systems and Procedures

5.1 Introduction

5.1.1 Comprehensive systems and procedures are essential to an effective framework of accountability and control.

5.2 General

5.2.1 The Director, Finance, Revenues and Benefits is responsible for the operation of the Council's accounting systems, the form of accounts and the supporting financial records. Any changes proposed by Chief Officers to the existing financial systems or the establishment of new systems must be agreed by the Director, Finance, Revenues and Benefits. However, Chief Officers are responsible for the proper operation of financial processes in their own departments.

5.2.2 Chief Officers must make sure that their staff receive relevant financial training, approved by the Director, Finance, Revenues and Benefits.

5.2.3 Chief Officers must make sure that where appropriate, computer and other systems are registered in line with data protection legislation. Chief Officers must make sure that staff are aware of their responsibilities under freedom of information legislation.

5.2.4 The Director, Finance, Revenues and Benefits is responsible for:

- (1) administering all invoicing, credit notes, income collection and debt recovery, or, where local arrangements have been agreed, approving all procedures, systems and types of documentation used
- (2) ensuring that claims for government grants and other monies are made properly and promptly;
- (3) ensuring that all monies received are properly receipted and recorded and banked promptly;
- (4) administering the process for writing off irrecoverable debts in accordance with standing orders;
- (5) reporting annually to Executive with recommendations regarding the scale of charges for services; and
- (6) recommending and implementing the Council's debt management policy.

5.3 Income and Expenditure

5.3.1 It is the responsibility of Chief Officers to ensure a proper Scheme of Delegation is in place within their area and is operating effectively. The Scheme of Delegation should identify staff authorised to act on the Corporate Director or Service Director's behalf or on behalf of the Executive in respect of payments, income collection and placing orders, together with the limits of their Council. The Director, Finance, Revenues and Benefits must approve this scheme. The Executive is responsible for approving procedures for writing off debts as part of the overall control framework of accountability and control.

5.4 Payments to Employees and Members

5.4.1 The Director, Customer and Organisational Development is responsible for all payments of salaries and wages to all staff, including payments for overtime, and for payment of allowances to Members.

5.5 Ex-Gratia Payments

- 5.5.1 Subject to the Schemes of Delegation to Officers at Parts 5 B and 5 C of the Council's Constitution, cost centre managers may authorise ex-gratia payments to employees up to £200. Any requests for ex-gratia payments of over £200 must have the support of the cost centre manager if they are to proceed. Payments of between £200 and £500 may be authorised by the the Director, Finance, Revenues and Benefits. Only the Executive can approve any request for ex-gratia payments over £500. Where ex-gratia payments are made to any member of staff on their leaving the Council, these must also be approved by the Executive or, if to be made under Regulations under the Superannuation Act 1972 or the Public Services Pensions Act 2013, by the Administration and Regulation Committee

5.6 Taxation

- 5.6.1 The Director, Finance, Revenues and Benefits is responsible for advising Chief Officers, in the light of guidance issued by appropriate bodies and relevant legislation as it applies, on all taxation issues that affect the Council.
- 5.6.2 The Director, Finance, Revenues and Benefits is in charge of maintaining the Council's tax records, making all tax records, receiving tax records and submitting tax returns by their due date as appropriate.

5.7 Trading Accounts/Business Units

- 5.7.1 The Director, Finance, Revenues and Benefits will advise in reference to the financial implications of the establishment and operation of trading accounts and business units.

5.8 Ordering and paying for works, goods and services

- 5.8.1 The Director, Finance, Revenues and Benefits will establish and maintain, and Officers will observe, financial systems and procedures for the ordering and paying for works, goods and services.

5.9 Banking and Cash Handling

- 5.9.1 The Director, Finance, Revenues and Benefits will establish and maintain, and Officers will observe, financial systems and procedures for banking and cash handling.

6. Partnerships & External Arrangements

6.1 Introduction

- 6.1.1 The Council provides a distinctive leadership role for the community and brings together the contributions of the various stakeholders. It must also act to achieve the promotion or improvement of the economic, social or environmental well-being of its area.

6.2 Partnerships

- 6.2.1 The Executive is responsible for approving delegations including frameworks for partnerships. The Executive is the focus of forming partnerships with other local public, private, voluntary and community sector organisations to address local needs.
- 6.2.2 The Executive can delegate functions (including those relating to partnerships) to officers. These are set out in the Scheme of Delegation (Executive functions) that forms Part 5 B of the Council's Constitution. Where functions are delegated, the Executive remains accountable for them to the Full Council.
- 6.2.3 The Head of Paid Service, or an officer designated by him/her, represents the Council on partnership and external bodies in line with the Scheme of Delegation.
- 6.2.4 The Monitoring Officer is in charge of promoting and maintaining the same high standards of conduct with reference to financial administration in partnerships that apply throughout the Council.
- 6.2.5 The Director, Finance, Revenues and Benefits must ensure that the accounting arrangements to be adopted in regards to partnerships and joint ventures are satisfactory. He or she must also consider the overall corporate governance arrangements and legal issues in regards to when arranging contracts with external bodies. He or she must also make sure that the risks have been fully appraised before agreements are entered in to with external bodies.
- 6.2.6 Chief Officers are in charge of ensuring that appropriate approvals are attained before any negotiations are concluded in regard to work with external bodies.

6.3 External Funding

- 6.3.1 The Director, Finance, Revenues and Benefits is responsible for ensuring that all funding notified by external bodies is received and properly recorded in the Council's accounts.

6.4 Work for Third Parties

- 6.4.1 The Executive is responsible for approving the contractual arrangements for any work for third parties or external bodies.

7. Appendix A - Scheme of Devolved Financial Management

7.1 Introduction

- 7.1.1 The scheme is a management tool to assist cost centre managers to manage the budget for which they are responsible effectively. Cost centre managers are those people to whom Chief Officers, in consultation with the Director, Finance, Revenues and Benefits, have delegated financial management responsibility. Nevertheless, Chief Officers remain accountable for the overall financial management of their services.
- 7.1.2 The financial transactions of the Council are categorised as revenue or capital and different rules apply to the type of transaction. Cost centre managers and Chief Officers, in conjunction with Finance Business Partners, have responsibility to ensure the correct rules are applied.

7.2 Standing Orders

- 7.2.1 The Council's Standing Orders specify the manner and extent to which powers are delegated to Committees and to Chief Officers. Standing Orders also provide for the approval of a scheme of devolved financial management. This scheme limits the use of virement (see Definitions Section, below) to specific proposals deemed appropriate by the Director, Finance, Revenues and Benefits that are in accordance with the scheme rules set out below.

7.3 Revenue Cost Centre Management and Budget Monitoring

- 7.3.1 The Council's budget and accounts are divided into cost centres each should have one cost centre manager who has the sole responsibility for formulating the budget for that cost centre.
- 7.3.2 Only the cost centre manager should authorise expenditure on a cost centre and ensure that sufficient budget is available before making a commitment. Cost centre managers may delegate to specified staff the ordering of low consumables via the council's corporate e-procurement system subject to a limit per order to be agreed with the Chief Accountant. Orders above the specified amount will require the specific authorisation of the cost centre manager.
- 7.3.3 Cost centre managers are responsible for ensuring the correct financial code is used for each transaction in line with CIPFA code of practice.
- 7.3.4 Cost centre managers are responsible for monitoring income and expenditure against the approved budget for their cost centre at least monthly according to the timetable issued by the Director, Finance, Revenues and Benefits, and for taking appropriate remedial action where variances are identified. Where persistent miscoding is taking place, Cost centre managers must ensure that the reasons are identified and action taken in order to stop the miscoding in future.
- 7.3.5 Cost centre managers should maintain a record of significant expenditure commitments.
- 7.3.6 Formal budget monitoring will be carried out by cost centre managers on a monthly frequency according to the timetable issued by the Director, Finance, Revenues and Benefits.
- 7.3.7 Cost centre managers will be required to review and if necessary, update their predictions of income and expenditure for the whole year for their cost centre every month.

- 7.3.8 Overall budget reports for each service will be issued monthly to Chief Officers who will ensure that the appropriate monitoring and investigation of exception takes place.
- 7.3.9 Overall Council Budget monitoring reports will be presented to the Corporate Leadership Team every month and quarterly to of the Executive (see definitions).
- 7.3.10 In the event of a department's outturn predictions showing an overspend, the department's Corporate Director is responsible for the development of a plan to address that overspend, which shall be provided to the Director, Finance, Revenues and Benefits. The Director, Finance, Revenues and Benefits will provide a report to the Executive on the reason for the overspend and the action being taken to resolve it or to reduce other expenditure.
- 7.3.11 Chief Officers, in conjunction with Finance Business Partners, will be responsible for the definition of cost centres (subject to ensuring that the definitions concur with standard accounting practice), and determining who will be cost centre managers. The Director, Finance, Revenues and Benefits must be kept informed of the names of all current cost centre managers.

7.4 Revenue Budget Virement

- 7.4.1 The rules of the scheme are set out below.
- 7.4.2 The scheme applies to revenue budgets.
- 7.4.3 The scheme does not apply to capital projects or their financing i.e. it does not apply to asset, deferred or leasing charges
- 7.4.4 The scheme does not apply to budgets for growth items
- 7.4.5 Any proposed virement from or to an employee code (that is anything with a 0 immediately after the cost centre code) must have the approval of the Director, Finance, Revenues and Benefits as well as the cost centre manager, Corporate Director, or their nominee.
- 7.4.6 Virement under this scheme of devolved financial management is not permitted between the following areas: General Fund excluding Schools budgets funded by dedicated schools grant
- 7.4.7 (Revenue), Schools budgets funded by dedicated schools grant (Revenue), Housing Revenue Account, Collection Fund (business rates and council tax), Agency Accounts, Contract Accounts and Capital.
- 7.4.8 Managed Savings (see definitions) may be used for virement to meet unavoidable overspends under this scheme. Savings must be utilised firstly to meet unavoidable overspends (or unavoidable income reduction) within the same cost centre, secondly within the same service, thirdly within the same Executive Policy Brief, fourthly within the same area.
- 7.4.9 Virement is not allowed between support service charges except within services covered by dedicated schools grant.
- 7.4.10 In all cases where the reduction of a budget could be detrimental to service delivery, the approval of the Executive is required.
- 7.4.11 When a manager wants to use an underspend to pay for either optional expenditure or optional income reductions, that manager must put forward a business case (first ensuring that it is supported by the Corporate Director) to the Leader of the Council, the portfolio holder with responsibility for Finance and the Director, Finance, Revenues and Benefits.

- 7.4.12 Any request to use a fortuitous underspend for virement must also be made as a business case to the Leader of the Council, the portfolio holder with responsibility for Finance and the Director, Finance, Revenues and Benefits.
- 7.4.13 Chief Officers are responsible for ensuring that none of their cost centre managers use under-spends to pay for additional service provision, or change policies in order to make a reduction in spend, without the prior approval of Executive.
- 7.4.14 For the General Fund excluding Schools, savings made on internally recharged items such as support service costs, can only be used to fund items which are also internal recharges and do not involve the Council in any additional external costs.
- 7.4.15 Virement forms will not be processed for any sum less than £100 from budgets less than £10,000 or any sum less than £500 from budgets more than £10,000.
- 7.4.16 Cost centre managers are accountable for the whole budget of their cost centre.
- 7.4.17 In cases where the Chief Executive determines that a decision is required as a matter of urgency, a Corporate Director may exercise the power delegated to the Executive subject to consulting the relevant policy brief-holder(s) and complying with Access to Information requirements.
- 7.4.18 In the event of any disagreement or uncertainty as to the interpretation or application of this scheme the decision of the Director, Finance, Revenues and Benefits or his nominee shall be final and binding.
- 7.4.19 Virement must not create any additional overall budget liability. Chief Officers and Cost Centre Managers are expected to exercise their discretion in managing their budgets responsibly and prudently. For example, they should aim to 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 to fund any such commitments from within their own budgets.

7.5 Rules for Revenue Virement- Excluding Growth Budgets

Level	Amount	Delegated to
Between codes within a Cost Centre	Any	Cost Centre Manager (With approval of Director, Finance, Revenues and Benefits required if an employee budget is involved)
Within Services or between services that are the responsibility of one Service Director and one Executive Portfolio Holder	Any	Service Director (with approval of Director, Finance, Revenues and Benefits required if an employee budget is involved)
Within services or between services that are the responsibility of one Corporate Director and one Executive Portfolio Holder	Any	Corporate Director (with approval of Director, Finance, Revenues and Benefits required if an employee budget is involved)
Between services reported to one Executive Portfolio Holder that are the responsibility of more than one Corporate Director	Any	Corporate Directors (with approval of Director, Finance, Revenues and Benefits required if an employee budget is involved)

Level	Amount	Delegated to
Between services that are the responsibility of more than one Executive Portfolio Holder	Up to £25,000	Corporate Director (s) in consultation with the appropriate Executive Portfolio Holders (with approval of Director, Finance, Revenues and Benefits required if an employee budget is involved)
	Over £25,000	Report to Executive for approval

7.5.1 Notes: (NB these notes apply to all cases of virement whether or not they fit in to any of the categories shown above)

- (1) In all cases where the reduction of a budget could be detrimental to service delivery the approval of the Executive is required.
- (2) Any proposed expenditure reductions involving a change of policy must be reported for approval to the Executive
- (3) Any proposal for virement to be used to fund additional expenditure is not part of this scheme and must be reported to the Executive for approval.
- (4) Budgets for growth items are not part of this scheme and any proposal to vire from a growth budget should be reported to the Executive for approval.
- (5) Corporate Directors may in turn delegate part or all of their delegated authority to a specified Service Director in relation to the area of responsibility of that Service Director.
- (6) Any virement to or from an employee budget requires the prior written approval of the Director, Finance, Revenues and Benefits.

7.6 Revenue Budgets-

7.6.1 Carry forwards of under and overspends

- (1) Any net overspending on the service estimates under the control of a Chief Officer may be carried forward to the following year, and, if so, will constitute the first call on service estimates in the following year. The Director, Finance, Revenues and Benefits will report the extent of overspending to the Executive who will determine whether any carry forward is appropriate.
- (2) Net predicted underspending on service estimates deemed by the Director, Finance, Revenues and Benefits to be under the control of the Chief Officer may be carried forward, subject to:
 - (a) the maximum carry forward will be the amount of the net underspend predicted by the Service Director in budget monitoring prior to the end of the financial year
 - (b) reporting to the Executive the source of underspending or additional income and the proposed application of those resources
 - (c) the approval of the Full Council where an individual underspend of in excess of £200,00 is required to be carried forward and
 - (d) any reporting necessitated by the Access to Information Regulations.

7.6.2 All trading account surpluses shall be retained for the benefit of the Council and their application shall require the approval of the Executive.

7.6.3 The council may from time to time determine other specific rules for particular parts of the Budget.

7.7 Revenue Budget Reallocations

7.7.1 There are times when a budget reallocation (see Definitions) is required. These do not involve any variation to spending plans, merely a reordering of the accounts. For example, when a manager changes reporting arrangements, the accounts need to be changed to reflect those arrangements also if they are to be useful to the managers concerned. Where the Finance Business Partner determines that budget changes are due to a reallocation only, with no variation in spending plans at all, a budget transfer can be processed by finance.

7.8 Capital Cost Centre Management and Monitoring

7.8.1 Each capital project is allocated a project code (cost centre) and each one should have one and only one cost centre manager who will be responsible for the financial monitoring of the project.

7.8.2 Only the Cost Centre Manager should authorise expenditure for a capital project.

7.8.3 Cost Centre Managers are responsible for monitoring expenditure and income against the approved budget for the cost centre at least bi-monthly and in accordance with the timetable issued by the Director, Finance, Revenues and Benefits.

7.8.4 Cost Centre Managers should maintain a record of significant expenditure commitments.

7.8.5 The approved budget for the project against which expenditure will be monitored will consist of two elements: a) the total for the project over the project life and b) the budget for the current financial year.

7.8.6 Cost Centre Managers will be required to review and if necessary, update their predictions of expenditure for the current financial year for each project in accordance with the timetable issued by the Director, Finance, Revenues and Benefits. In addition and if necessary, cost centre managers will also be required to update the predicted cost of the total project.

7.8.7 Cost Centre Managers must ensure that the funding resources identified for the project are confirmed before commencement of the project.

7.8.8 Overall budget reports will be issued bi-monthly in accordance with the timetable, to Chief Officers who will ensure that the appropriate monitoring and investigation of exceptions takes place.

7.8.9 Overall Council capital project monitoring will be presented to the Corporate Leadership in accordance with the timetable issued by the Director, Finance, Revenues and Benefits and not less than quarterly.

7.8.10 A summary of the capital project monitoring will be presented to Executive in accordance with the Forward Plan, together with a position statement regarding the resources required to meet the capital expenditure.

7.8.11 The following actions should be taken in event of a variance from the approved budgets:

- (1) In the event of a projected overspend / underspend (slippage) on a project during the course of the year that does not impact on the total cost of the project, Cost Centre Managers will be expected to provide wording to the Director, Finance, Revenues and Benefits. This will be included in a report to Executive giving reasons; revised completion dates for the project and the amended spend profile.
- (2) In the event of a total projected overspend on a project, the reasons for this will be reported to the Executive in the Director, Finance, Revenues and Benefit's report. The Chief Officer responsible for the project will attend Executive to provide further explanations if necessary. The Director, Finance, Revenues and Benefits will report on the options available to the Council to keep projected capital expenditure in line with resources available

7.8.12 Chief Officers, in conjunction with Finance Business Partners, will be responsible for the definition of capital projects, and determining who will be cost centre managers. The Director, Finance, Revenues and Benefits must be informed of the names of all current cost centre managers, and of any delegations.

7.9 Capital Budget Virement

7.9.1 The following actions should be taken in event of a variance from the approved budgets:

- (1) In the event of a projected overspend / underspend (slippage) on a project during the course of the year that does not impact on the total cost of the project, Cost centre managers will be expected to provide wording to the Director, Finance, Revenues and Benefits. This will be included in a report to Executive giving reasons; revised completion dates for the project and the amended spend profile.
- (2) In the event of a total projected, overspend on a project, the reasons for this will be reported to the Executive in the Director, Finance, Revenues and Benefit's report. The Chief Officer responsible for the project will attend Executive to provide further explanations if necessary. The Director, Finance, Revenues and Benefits will report on the options available to the Council to keep projected capital expenditure in line with resources available.

7.9.2 Key Point

- (1) No virement should create any actual or potential additional budget liability, either for capital or revenue. All Chief Officers and Cost Centre managers are required to manage their budgets responsibly and prudently. They must avoid creating future commitments, in particular from implementing changes part way through a financial year, for which the ongoing full year future resources are not guaranteed.
- (2) The Director, Finance, Revenues and Benefits must be advised of any capital budget virements.

7.10 Rules for Capital Virement

Level	Amount	Delegated to
Between detail codes within a project	Any	Cost Centre Manager
Between projects that are the responsibility of one Service Director and one Executive Portfolio Holder and have a common funding stream	Up to 10% of the original total approved value of the project for which the funds are being vired to or from	Service Director
Between projects that are the responsibility of one Corporate Director and one Executive Portfolio Holder and have a common funding stream	Up to 10% of the original total approved value of the project for which the funds are being vired to or from.	Corporate Director
Between projects reported to one Executive Portfolio Holder that are the responsibility of more than one Corporate Director and have a common funding stream	Up to 10% of the original total approved value of the project for which the funds are being vired to or from.	Corporate Directors
Between projects that are the responsibility of more than one Executive Portfolio Holder Director and have a common funding stream	Up to 10% of the original total approved value of the project for which the funds are being vired to or from.	Corporate Directors (s) in consultation with the appropriate Executive Portfolio Holders Report to Executive for approval
Between projects that have a common funding stream where the amount of virement required exceeds 10% of the original value of the project for which the funds are being vired to or from.	Over 10% of the original total approved value of the project for which the funds are being vired to or from	Corporate Director (s) in consultation with the appropriate Executive Portfolio Holders Report to Executive for approval

7.10.1 Notes: (NB these notes apply to all cases of capital virement, whether or not they fit into any of the categories shown above).

- (1) In all cases where the reduction of a budget could be detrimental to project delivery the approval of the Executive is required.
- (2) Any proposed expenditure reductions involving a change of policy must be reported for approval to the Executive.
- (3) Any proposal for virement to be used to fund additional expenditure is not part of this scheme and must be reported to the Executive for approval.
- (4) Corporate Directors may in turn delegate part or all of their delegated authority to a specified Service Director in relation to that Service Director's area of responsibility.

7.11 Definitions

7.11.1 **Budget Reallocation** - A budget transfer that the Director, Finance, Revenues and Benefits or his/her nominee certifies does not involve any variation in proposed expenditure.

- 7.11.2 **Capital programme** - Capital projects accepted by the council are included in a programme that is published annually in the council's blue estimate book.
- 7.11.3 **Capital Project** - Capital expenditure, in broad terms, is the acquisition or enhancement of a tangible asset and financed by specific resources. A project is defined as a plan of action requiring capital resources. Projects are listed in the council's budget book. Projects are allocated codes that form the 'cost centre' for that project. Council approves the capital programme annually, with the capital projects listed in the council's budget book.
- 7.11.4 **Capital project appraisal** - Every project must be appraised in accordance with guidance issued by the Director, Property and Infrastructure, before it is included in the capital programme (see Standing Order 89.3)
- 7.11.5 **Capital Release** - Council approves the capital programme annually and the projects programmed to start in the following year are 'released'. This release allows:
- (1) Tenders to be accepted, up to the capital sum provided in the capital programme less any necessary fees, for any projects phased to commence in that financial year,
 - (2) For projects due to commence in subsequent years. Preliminary work can commence subject to certain limits (see Standing Order 89.4)
- 7.11.6 **Cost Centre** - A service, function. Capital project or area of activity identified as the responsibility of one individual (the Cost centre manager). A Cost centre manager can have responsibility for more than one cost centre but a cost centre can only be the responsibility of one manager.
- 7.11.7 **Executive** - All references to the Executive in the Scheme of Devolved Financial Management should be taken to refer to the council's Executive.
- 7.11.8 **Fortuitous Savings** - Unplanned savings arising from unforeseen events such as a national pay award being less than budgeted for, or savings resulting from mild weather. Not available to finance additional consumption but may be used to offset unavoidable and unbudgeted cost increases subject to obtaining approval.
- 7.11.9 **Funding Stream** - Capital projects are funded from a variety of sources. These sources are annotated in the capital programme, e.g. leasing, revenue contribution, grant etc. These sources are also referred to as funding streams.
- 7.11.10 **Managed Savings** - Planned savings arising from positive action resulting in better/less use of resources, improved performance, restructuring/reorganisation of service or functions or additional income. Available for virement under certain conditions.
- 7.11.11 **Service/Function** (Revenue budget only) - A main heading or account in the Council's budget book. Service- where the output is delivered to the public. Function- an internal support service (e.g. Payroll is a function, Housing Benefits is a service).
- 7.11.12 **Virement** - The transfer of part of one budget to another budget. (Not to be confused with miscoding). It does not involve the transfer of money, only permission to incur expenditure.