

Introduction

1. Financial administration

- (a) Finance director
- (b) Strategic directors
- (c) Financial advice to the executive
- (d) Financial regulations
- (e) Partnerships
- (f) Fees and charges
- (g) Debt write offs
- (h) Internal audit
- (i) Fraud

2. Financial planning

- (a) Planning process

3. Preparation of the revenue budget

- (a) Finance director's responsibilities
- (b) Strategic director responsibilities
- (c) Budget working papers and revenue estimates
- (d) Budget timetable and cash limits

4. Setting the annual budget and the council tax

- (a) Precepting authorities and the tax base
- (b) Collection fund
- (c) Decision by members

5. Monitoring and control of the revenue budget

- (a) Budget spending
- (b) Monitoring
- (c) Virements
- (d) Budget adjustments
- (e) ~~Carry forward of~~ Treatment of overspends and underspends
- (f) Accuracy of accounts

6. Annual Statement of Accounts

- (a) Finance director

- (b) Strategic directors

7. Preparation of the capital programme

- (a) Capital strategy
- (b) Capital programme
- (c) Financing of schemes
- (d) Capital schemes

8. Monitoring and control of the capital programme

- (a) Control
- (b) Reporting requirements
- (c) Variations to the capital programme
- (d) Major overspends
- (e) Accuracy of accounts

9. Leases

- (a) Inclusion in capital accounts
- (b) Consent

10. Schools Fair Funding

- (a) Application of standing orders
- (b) Financial regulations
- (c) Scheme for financing schools

11. Treasury management

- (a) Prudential framework
- (b) Borrowing and investment strategy and decisions
- (c) Departure from ODPM guidance or the CIPFA code

Glossary

Introduction

The council allocates resources for both capital and revenue purposes. The council has systems to monitor expenditure and income on an accruals basis and to monitor accounting commitments on both revenue and capital budgets. All references to income and expenditure in the financial standing orders and financial regulations include accrued income and expenditure in addition to cash receipts and payments. A short glossary of other terms is appended to the financial standing orders for ease of reference.

References in these standing orders to “the executive” should be taken to include decisions taken by the whole executive, decisions by any subcommittee of the executive and decisions by individual members of the executive. Delegations to the executive are set out in the constitution.

1. Financial administration

a) Finance director

- i) The finance director is the officer appointed by the council in accordance with section 151 of the Local Government Act 1972, section 114 of the Local Government Finance Act 1988, the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006, and section 25 of the Local Government Act 2003. The postholder must ensure that the council’s financial affairs are administered in a proper manner, in compliance with all relevant professional codes of practice, and all statutory obligations;
- ii) All matters connected with the financial administration of the council’s affairs are the delegated responsibility of the finance director, except any matters which are delegated to other officers or reserved to committees of council members, the executive, or to the council itself. The finance director may authorise other officers to carry out matters delegated to him/her except the section 151 responsibilities.

b) Strategic directors

Strategic directors are responsible for ensuring that there is proper financial management within their department. Specific responsibilities are set out in the scheme of delegation for financial authority and accountability. Strategic directors must maintain adequate systems of internal control over financial operations and processes and secure the accuracy and integrity of financial information and systems operating within their departments. Strategic directors must ensure compliance with procedural instructions on financial administration issued by the finance director. Strategic directors must set and maintain a departmental scheme of management setting out the levels of authorisation and standards for the department.

c) Financial advice to the executive

- i) Corporate and strategic matters. The finance director will provide financial advice to the council, its committees, subcommittees, and similar bodies of members including the executive on all matters of a corporate or strategic financial nature or of an interdepartmental nature;

- ii) Departmental matters. Strategic directors are responsible for financial advice to committees, subcommittees and similar service bodies of members including the executive on all financial matters of a departmental nature.

d) Financial regulations

The finance director will issue financial regulations applicable to all or specified categories of council staff. Strategic directors will ensure that all relevant staff in their departments fully comply with them. Individual council officers must familiarise themselves with financial regulations, or similar, relevant to their work, and fully comply with them.

The Money section of the Source (the council's business managers' handbook) for the purposes of these financial standing orders is the council financial regulations.

e) Partnerships

Financial governance arrangements in respect of partnerships must meet the requirements of the finance director and his written approval must be obtained before any partnership arrangements are entered into.

f) Fees and charges

Fees and charges set by statute or regulation should be increased in line with them, while fees and charges capped by statute should be increased by a minimum of the medium term financial strategy rate up to the maximum allowed. Changes in all flexible fees and charges at a rate other than that approved by the medium term financial strategy require the approval of the individual decision maker in accordance with the council's scheme for individual executive member decision making. **However, any proposal to an individual decision maker to approve an amendment to fees or charges at a rate below that specified in the medium term financial strategy will require the prior written approval of the finance director.** Within the fees and charges set, strategic directors are responsible for maximising income for the council.

g) Debt write offs

The authority to write off bad debts under £5,000 is delegated to strategic directors within the scheme of delegation for financial authority and accountability, subject to compliance with the council's write off policy. Write offs of bad debts over £5,000 but under £50,000 are reserved to individual executive members for decision and write offs in excess of £50,000 per case are key decisions that should be dealt with through the council's protocol for decision making. Note that write offs should be for the cumulative debt for one debtor for a business unit.

h) Internal audit

- (i) The finance director is responsible for:
- Safeguarding the independence of internal audit;
 - Determining the overall audit arrangements and the annual internal audit plan;

- The content and distribution of internal audit reports; and
 - The form and frequency of reports which may be made to the **executive audit committee** arising from internal audit activity;
- (ii) It is the responsibility of all council officers to implement agreed recommendations and to provide, upon the request of the finance director or a person nominated by him or her for this purpose, any information, explanation or document under the control of the officer concerned which is required for the purposes of or in connection with an internal audit inquiry, project, or investigation; and
- (iii) The finance director will report to the **executive audit committee** any serious breach of financial standing orders or of the financial regulations or procedural instructions issued in accordance with them.

i) Fraud

The finance director is responsible for management of the investigation process for all suspected cases of fraud, corruption, financial loss or malpractice.

2. Financial planning

a) Planning process

The council's financial planning processes and planning horizons, for the revenue budgets (including the housing revenue account), the capital programme and the medium term financial strategy, will be determined by the finance director, subject to approval by the executive. This will have regard to the council's community strategy, **corporate plan**, corporate priorities and business plans.

3. Preparation of the revenue budget

a) Finance director's responsibilities

The finance director is responsible for the overall coordination of the budget process. Under section 25 of the Local Government Act 2003, s/he also has specific responsibilities for reporting on

- the robustness of the estimates
- the adequacy of the proposed financial reserves

The finance director also has specific responsibility for confirming the deployment of the dedicated schools grant in support of the schools budget, as required by section 16 of the Education Act 2002 and the Accounts and Audit (Amendment) (England) Regulations 2006.

b) Strategic director responsibilities

- (i) Preparing the revenue budget for the services in his/her departments in consultation with the relevant member of the executive, which will have

regard to the community strategy, **corporate plan**, corporate priorities and business plans.

- (ii) Ensuring that corporate deadlines are met.
- (iii) Ensuring that resources are allocated through a detailed budget on SAP by the deadline set by the finance director.

c) Budget working papers and revenue estimates

- (i) All working papers and revenue estimates must be prepared in accordance with issued procedural instructions. The instructions will include information in respect of inflation, capital financing costs and other variables outside the control of service departments.
- (ii) The revenue estimates must include forecast expenditure and income for the year.

d) Budget timetable and cash limits

As part of the council's arrangements for medium term financial planning and budget preparation, the executive will give guidance on the budget timetable to be adopted and the resource constraints (cash limits) within which business plans and budget estimates must be prepared. The executive may also, as part of a strategy to integrate strategic planning with ~~three~~four-year budgeting, issue indicative cash limits for up to ~~three~~four years ahead.

4 Setting the annual budget and the council tax

a) Precepting authorities and the tax base

The council must before January 31 each year approve the council tax base for the following financial year. Following the council decision, the finance director will inform precepting and levying bodies of the approved council tax base.

b) Collection fund

The finance director will determine the probable collection fund surplus or deficit for the year, notify precepting bodies, and report to the executive.

c) Decision by members

- (i) The executive will make recommendations to the council regarding the annual budget for the following financial year and the council tax required to finance it; and
- (ii) At a meeting on or before March 1 each year, the council will set the overall council tax (including impact of the GLA precept) for the following financial year.

All members must ensure that any outstanding debts relating to council tax or national non-domestic rates payable by them to the council have been settled at least one clear working day before the council assembly meeting at which the overall council tax is set.

5 Monitoring and control of the revenue budget

a) Budget spending

Following approval by the council of the annual revenue estimates, strategic directors may spend within the agreed budget for their departments. They must ensure that the net expenditure for their departments does not exceed the approved budget. They must also ensure that they do not incur expenditure on budgets outside their departmental budget without first getting approval from the relevant strategic director.

b) Monitoring

(i) Strategic directors must:

- i ensure that there are adequate systems to monitor and audit the resources allocated to services;
- ii monitor at least monthly the accurately projected income and expenditure outturn for the financial year under each budget heading, having regard to any contingent or other liabilities for which financial provision may be required.
- iii present reports containing up to date summary projections to the relevant executive member each month;

(ii) The finance director must:

- ~~i~~ report on the overall financial position of the council to the executive ~~as required, but at least three times a year on a quarterly basis~~. This report will include any concerns s/he may have about the outturns projected by strategic directors or about financial controls within departments. ~~;~~ ~~and~~
- ~~ii~~ ~~report to the executive, by the end of July of each year, on the financial outturn for the previous financial year.~~

c) Budget adjustments/virements within a directorate

Strategic directors may vire budget provision between cost centre groups (as set out in the budget book) within their department, subject to the following:

- (i) The authority for all virements must comply with each department's scheme of management;
- (ii) Provisions included within departmental budgets on the instructions of the finance director as per the schedule of corporately controlled budgets maintained by the finance director, (e.g. insurance, capital charges, leasing costs, service level agreements, FRS 17, planned maintenance etc) may not be vired for other purposes without the written consent of the finance director;
- (iii) The departmental strategic director must at the earliest opportunity report each virement in excess of £250,000 to the executive. This must include the movement of an approved budget from one service to another and

adjustments between subjective categories of income and expenditure such as to reflect additional grant or other income and associated expenditure.

d) Budget adjustments/virements between directorates

- (i) Where responsibility for a service is transferred from one department to another and the annual cost transferred exceeds £250,000, the relevant strategic director(s) must obtain written consent from the finance director and the approval of the executive.
- (ii) Subject to paragraph 10 of Part 3A of the Constitution “matters reserved to council assembly”, the executive may at any time during a financial year, having considered a report of the finance director, vary the departmental approved budget either:
 - i. To require mid year savings to compensate for a projected corporate overspend;
 - ii. To allocate to departments sums included within corporate provisions or budgets, excluding those which form part of the schedule of corporately controlled budgets maintained by the finance director.

e) ~~Carry forward of Treatment of overspends and underspends~~

The finance director may, on consideration of the overall financial position of the council at the end of a financial year, recommend to the ~~council assembly~~ executive ~~whether overspends by departments should be set off against budgets in the subsequent financial year and~~ whether underspends by departments can be made available for specific projects or carried forward to the subsequent financial year, or otherwise accounted for.

f) Accuracy of accounts

It is the responsibility of strategic directors, having regard to any guidance which may be issued by the finance director, to ensure that all items are correctly accounted for, and that all expenditure and income is charged to a revenue account in the first instance, in accordance with proper accounting practices. The only exceptions under the provisos of the Local Government Act 2003 are:

- Expenditure under finance leases
- Expenditure permitted to be charged to capital
- The repayment of sums borrowed
- Expenditure on approved instruments (treasury loans)
- Payments from the superannuation funds
- The use of trust funds
- Transactions within the collection fund

6 Annual statement of accounts

a) Finance director

The finance director is responsible for the preparation and certification of the annual statement of accounts in accordance with current legislation and in particular with the

Accounts and Audit Regulations 2003, as amended by the Accounts and Audit (Amendment) (England) Regulations 2006. The finance director will make arrangements for the coordination of the council closing of accounts programme to ensure compliance with national guidelines.

b) Strategic directors

Strategic directors are responsible for ensuring:

- i. The accuracy of their departmental accounts and compliance with all current legislation and applicable accounting codes of practice; and
- ii. The prompt production of adequate working papers to justify all items attributable to them in the statement of accounts; and
- iii. The achievement of their departmental closing of accounts programme in line with the finance director's timetable for the closure of accounts and production of the annual statement of accounts; and
- iv. The completion of all grant claims accurately, within deadlines and with adequate supporting working papers, ensuring that income due to the council is maximised; and
- v. That their staff cooperate fully with the council's external auditors during their audit of the accounts and grant claims.

7 Preparation of the capital programme

a) Capital programme

The executive will, on consideration of annual and ad hoc reports from the finance director, agree the capital programme. The reports from the finance director will consider the compliance of proposed schemes in the programme with the medium term financial strategy, the capital resources available to the council, the revenue implications of the proposed capital expenditure, and any other relevant information.

b) Financing of schemes

Within the overall approved capital programme, the finance director will decide the method by which any particular scheme will be financed in consultation with the executive member for resources.

c) Capital schemes

Approval to spend on individual capital schemes will only be given once issued procedural instructions have been complied with and cash flow implications have been determined and assessed to the satisfaction of the finance director.

8 Monitoring and control of the capital programme

a) Control

Strategic directors must ensure that their total departmental capital spending in any financial year does not exceed the relevant provision within the capital programme, except where approved by the executive.

b) Reporting requirements

- (i) The finance director will report on the actual capital expenditure incurred **in the first six months** by the council as a whole to the executive **by December**. ~~as required, but not less than twice a year.~~ This report will include details of the projected outturn for the financial year and the total capital resources available to the council with which to finance such expenditure.
- (ii) The finance director will report to the executive on the outturn position for capital expenditure for each financial year.

c) Variations to the capital programme

Strategic directors may vary the budget or profile for individual schemes or block provisions and may add schemes from the reserve list subject to any increase in budget being met by virements or additional resources and subject to the agreement of the finance director and relevant executive members. They must report such variations to the executive, at the earliest opportunity.

d) Major overspends

Strategic directors must report to the executive on any schemes in progress, which are forecast to overspend by 15% or more compared to the contract sum unless the overspending amounts to less than £200,000. The report must give the reasons for the overspending.

e) Accuracy of accounts

It is the responsibility of strategic directors, having regard to any guidance which may be issued by the finance director, to ensure that all items are correctly coded and only expenditure classified as capital expenditure in accordance with proper accounting practices or as defined as such under the Local Government Act 2003 (and subsequent regulations) is charged to capital.

9 Leases

a) Inclusion in capital accounts

The taking or granting of a lease on any asset may form part of the council's capital expenditure or receipts, and must, therefore, be provided for.

b) Consent

Strategic directors are required to obtain written permission from the finance director before taking or granting a lease on any asset. The exceptions to this are:

- (i) The granting of short term leases on property within the commercial property portfolio managed by the head of property services; and

- (ii) The granting of leases on housing revenue account dwellings under the right to buy provisions of the Housing Act 1985.

10 Schools Fair Funding

a) Application of Standing Orders

Delegated budgets of schools, in accordance with the Schools Standards and Framework Act 1998, remain part of the authority. The statutory responsibilities of the finance director apply to schools in the same way as any other part of the council.

b) Financial Regulations

Financial Regulations applying to schools which differ from those issued to strategic directors and departments will be issued by the strategic ~~director of education~~ **children's services** after agreeing them with the finance director.

c) Scheme for financing schools

The finance director and ~~strategic director of education~~ **children's services** will consult on and issue a scheme for financing schools annually.

11 Treasury management

a) Prudential framework

i) Prudential indicators

The finance director shall set out prudential indicators for capital finance and treasury management under the provisions of the Local Government Act 2003 for consideration and decision by council assembly alongside consideration of the budget and council tax each year.

ii) Reporting

The finance director shall monitor and report at least twice a year on performance against the indicators.

b) Borrowing and investment strategy and decisions

i) Strategy

The finance director shall set out the borrowing and investment strategy (including prudential borrowing arrangements) for consideration and decision by the council assembly each year, in accordance with ODPM guidance on local government investments and the CIPFA code of practice on treasury management in the public sector.

ii) Decisions

All executive and operational decisions on borrowing, credit finance and investments are delegated to the finance director, who shall report on activity at least twice a year.

c) Departure from ODPM Guidance or the CIPFA Code

If the finance director should wish to depart materially from the main principles of the guidance or code, the reasons should be reported to the council assembly.

Glossary

Budget adjustments/virements

A budget adjustment or virement is a movement of an approved budget from one budget heading or service to another. It will be self-balancing and will be in response to either a change in the level of service (increased or decreased) or additional net costs or benefits within a service. It includes changes to expenditure and income budgets to take account of new grants or other income and associated expenditure including movements between subjective categories of income and expenditure and also corrections to budgets which were set on the basis of incomplete information. It may recognise movements to and from reserves and balances, which may only be actioned by the finance director.

Capital programme

The capital programme is a medium term statement of the council's proposals for capital expenditure, including leasing, having regard to the likely level of resources.

Financial regulations

Financial regulations are such procedures that the finance director shall issue from time to time as part of the financial standing orders. Currently these are contained within the Money section of the Source (the council's business managers' handbook) and all complementary or otherwise similar procedures issued.

ODPM

The Office of the Deputy Prime Minister, **a government department, which became part of the Communities and Local Government department in May 2006.**

Partnership

A partnership is an agreement between the council and one or more parties to work together to enable the service provider to give the client the best possible service. The council may not always be the lead provider and the agreement may take a number of forms: it may be contractual, but involve a more integrated, consultative and interactive working relationship or there may be no contract, no formal specification and no competitive process. As a minimum, there should be a service level agreement. Partnerships include joint arrangements, joint committees, joint venture companies and any other special purpose vehicles.

Prudential indicators

Prudential indicators are indicators set by each local authority under CIPFA's prudential code for capital finance to help demonstrate that capital investment plans are affordable, prudent and sustainable and that treasury management (see below) decisions are taken in accordance with good practice. Examples of indicators are ratios of financing costs to net revenue streams; estimates of the incremental impact of capital investment decisions on council tax and levels of external debt.

Schools fair funding

The Department for Education and Skills approves the council's fair funding scheme. The scheme contains details of financial standing orders and regulations.

Treasury management

In order to maximise the return on temporary surplus cash balances and minimise the cost of short term borrowing, the council employs a policy of "treasury management".