

## FINANCIAL STANDING ORDERS **20123/134**

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**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 cabinet” should be taken to include decisions taken by the whole cabinet, decisions by any committee of the cabinet and decisions by individual members of the cabinet. Delegations to the cabinet are set out elsewhere in the constitution.

As set out in article 1, the chief finance officer may make minor changes (see Glossary) to the financial standing orders, after consultation with the monitoring officer.

### 1. Financial administration

#### a) Chief finance officer

- i) The strategic director of finance and corporate services 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 (England) Regulations 2011, 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 strategic director of finance and corporate services, except any matters which are delegated to other officers or reserved to committees of council members, the cabinet, or to the council itself. The strategic director of finance and corporate services 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 chief finance officer. 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 cabinet**

- i) Corporate and strategic matters. The chief finance officer will provide financial advice to the council, its committees, sub-committees, and similar bodies of members including the cabinet 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, sub-committees and similar service bodies of members including the cabinet on all financial matters of a departmental nature.

**d) Financial regulations**

The chief finance officer 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.

**e) Partnerships**

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

**f) Treasury management**

All treasury management decisions are the responsibility of the chief finance officer, as set out in paragraph 11 below.

**g) Pensions**

All pension scheme decisions are the responsibility of the chief finance officer, acting on the advice of the pensions advisory panel, as set out in part 3 of the constitution.

**h) Insurance**

All insurance decisions are the responsibility of the chief finance officer.

**i) Cap and trading schemes**

The chief finance officer must be consulted on all decisions relating to the landfill allowance trading scheme (LATS) and any similar cap and trading schemes.

**j) Companies in which the council has an interest**

The chief finance officer and monitoring officer must be consulted on all proposals relating to the establishment of companies in which the council is to have an interest.

**j) Guarantees**

Any proposal for giving a financial guarantee on behalf of a party external to the council must have prior written approval of the chief finance officer.

**k) Internal audit**

- i) The chief finance officer 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
  - the form and frequency of reports which may be made to the audit and governance 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 chief finance officer 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.
- iii) The chief finance officer will report to the audit and governance committee any serious breach of financial standing orders or of the financial regulations or procedural instructions issued in accordance with them.

**l) Risk management**

The chief finance officer will be responsible for ensuring awareness of and compliance across the council with risk management responsibilities and protocols as they impact upon day-to-day operations and major project activities and for reporting on risk management as appropriate.

**m) Fraud**

The chief finance officer 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 resources strategy, will be determined by the chief finance officer, subject to approval by the cabinet. This will have regard to the council plan.

**3. Preparation of the revenue budget**

**a) Chief finance officer's responsibilities**

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

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

The chief finance officer 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 (England) Regulations 2011.

**b) Strategic director's responsibilities**

- i) Preparing the revenue budget for the services in his/her departments in consultation with the relevant member of the cabinet, 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 chief finance officer.
- iv) Ensuring that reports are submitted to the relevant cabinet member(s), seeking approval of fees and charges in relation to their areas of responsibility.

**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 cabinet 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 cabinet may also, as part of a strategy to integrate strategic planning with four-year budgeting, issue indicative cash limits for up to four years ahead.

**4. Setting the annual budget and the council tax**

**a) Precepting authorities, ~~and the tax base,~~ and net rate yield**

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

- iii) The council must before 31 January each year approve the estimated net rate yield for national non domestic rates for the following financial year.
- iv) Following the council decision, the chief finance officer will inform the government and the Greater London Authority (GLA) of the approved estimated net rate yield, so that the appropriate payments can be made to the government and GLA.

**b) Collection fund Support for council tax**

~~The chief finance officer will determine the probable collection fund surplus or deficit for the year, notify precepting bodies, and report to the cabinet.~~  
The council must before 31 January each year approve any changes to its scheme for council tax support for the following financial year.

**c) Decision by members**

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

**d) Support for council tax Collection fund**

~~The council must before 31 January each year approve any changes to its scheme for council tax support for the following financial year.~~  
The chief finance officer will determine the probable collection fund surplus or deficit for the year, notify precepting bodies, and report to the cabinet.

**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:
  - ensure that there are adequate systems to monitor and audit the resources allocated to services.

- 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.
- present reports containing up to date summary projections to the relevant cabinet member each month.

- ii) The chief finance officer must report on the overall financial position of the council to the cabinet on a quarterly basis. This report will include any concerns he/she may have about the outturns projected by strategic directors or about financial controls within departments.

**c) Budget adjustments/virements within a directorate**

Strategic directors may vire budget provision between services as set out in the budget book (~~cost centre groups~~) 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 chief finance officer as per the schedule of corporately controlled budgets maintained by the chief finance officer, (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 chief finance officer. Budget adjustments/virements may not alter the aggregate sum of any one of the budgets listed in the schedule of corporately controlled budgets (e.g. insurance, national insurance, pensions and capital charges), unless previously agreed in writing by the chief finance officer, who is responsible for maintaining the schedule.~~
- iii) If the budget adjustment/virement is in excess of £250,000, ~~it cannot be actioned until~~ the strategic director ~~has notified~~ must notify it to the chief finance officer who will ~~report it to~~ obtain the approval of the cabinet at the earliest opportunity. This rule applies where there is movement of an approved budget from one service to another and to 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) Budget adjustments/virements may not alter the aggregate sum of any one of the budgets listed in the schedule of corporately controlled budgets (e.g. insurance, national insurance, pensions and capital charges), unless previously agreed in writing by the chief finance officer, who is responsible for maintaining the schedule.
- ii) Technical adjustments relating to closing the accounts, including those to corporately controlled budgets, will be reflected in the statement of accounts signed by the chief finance officer. Examples of technical adjustments include those in relation to capital charges such as



depreciation and international accounting standard (IAS) 19 – accounting for employee benefits.

- iii) Inter-departmental and reserves adjustments/virements of £250,000 or less may be actioned with the agreement of the relevant strategic director(s), in line with each department's scheme of management, and must be reported to the cabinet.
- iv) Where ~~responsibility for a service is transferred from one department to another and the annual cost transferred~~ an inter-departmental or reserve adjustments/virement exceeds £250,000, the relevant strategic director(s) must obtain written consent from the chief finance officer who will obtain the approval of the cabinet.
- v) Subject to paragraph 13 of Part 3A of the Constitution “matters reserved to council assembly”, the cabinet may at any time during a financial year, having considered a report of the chief finance officer, vary the departmental approved budget either:
  - to require mid-year savings to compensate for a projected corporate overspend
  - 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 chief finance officer.

**e) Treatment of overspends and underspends**

The chief finance officer may, on consideration of the overall financial position of the council at the end of a financial year, recommend to the cabinet 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, in line with the medium term resources strategy.

**f) Accuracy of accounts**

It is the responsibility of strategic directors, having regard to any guidance which may be issued by the chief finance officer, 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) Chief finance officer

The chief finance officer 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 (England) Regulations 2011. The chief finance officer will make arrangements for the coordination of the council's 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
- ii) the prompt production of adequate working papers to justify all items attributable to them in the statement of accounts
- iii) the achievement of their departmental closing of accounts programme in line with the chief finance officer's timetable for the closure of accounts and production of the annual statement of accounts
- 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
- 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 strategy and programme

Council assembly will, on consideration of reports at least every four years and as necessary in the event of a significant change in circumstances from the chief finance officer, agree the capital strategy and programme. The reports from the chief finance officer will consider the compliance of proposed schemes in the programme with the medium term resources 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 chief finance officer will decide the method by which any particular scheme will be financed in consultation with the cabinet member for finance, ~~and~~ resources and community safety.

### 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 chief finance officer.

## **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 cabinet.

### **b) Reporting requirements**

- i) The chief finance officer will report on the actual capital expenditure incurred in the first six months by the council as a whole to the cabinet by December. This report will include details of variations to the capital programme (see (c) below), the projected outturn for the financial year and the total capital resources available to the council with which to finance such expenditure.
- ii) The chief finance officer will report to the cabinet on the outturn position for capital expenditure for each financial year.

### **c) Variations to the capital programme**

#### **i) Virements**

Virements between capital projects or programme headings as set out in the overall programme approved by council assembly must be notified by the relevant strategic director to the chief finance officer and cannot be actioned until they have been approved as follows:

- up to £100,000 – chief finance officer
- over £100,000 and up to £1,000,000 – the cabinet member for finance, resources and community safety, after consultation with the relevant cabinet member(s)
- over £1,000,000 and up to £10,000,000 – the cabinet
- over £10,000,000 – council assembly.

#### **ii) Changes to profiles of expenditure and resources**

Changes to profiles for capital projects or programme headings as set out in the overall programme approved by council assembly must be notified by the strategic director to the chief finance officer and cannot be actioned until they have been approved as follows:

- up to £250,000 – strategic director
- over £250,000 – cabinet member for finance, resources and community safety, after consultation with the relevant cabinet member.

### **d) Major overspends and underspends**

Strategic directors must report to the chief finance officer who will report to the cabinet on any schemes in progress, which are forecast to overspend or underspend by 10% or more compared to the approved budget unless the overspending or underspending amounts to less than £250,000. The report must give the reasons for the overspending or underspending.

**e) Accuracy of accounts**

It is the responsibility of strategic directors, having regard to any guidance which may be issued by the chief finance officer, 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) Capital accounting considerations**

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 consult with the chief finance officer as early as possible in order to obtain advice on the correct assessment of a lease (as 'finance' or 'operating') and to obtain written permission from him 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 director of regeneration
- ii) the granting of leases on housing revenue account dwellings under the right to buy provisions of the Housing Act 1985.

**10. Schools financial framework**

**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 chief finance officer 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 children's and adults services after agreeing them with the chief finance officer.

**c) Scheme for financing schools**

The chief finance officer and strategic director of children's and adults services will consult on and issue a scheme for financing schools annually.

**11. Treasury management**

**a) Prudential framework**

i) Prudential indicators

The chief finance officer 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 chief finance officer shall monitor and report at least twice a year to council assembly on performance against the indicators.

**b) Borrowing and treasury management strategy and decisions**

i) Strategy

The chief finance officer shall set out the borrowing and treasury management 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 cabinet and operational decisions on borrowing, credit finance and investments are delegated to the chief finance officer.

iii) Reporting

The chief finance officer shall monitor and report on operational activity in relation to the strategy on a quarterly basis to the cabinet and at mid year and year end to council assembly.

**c) Departure from ODPM guidance or the CIPFA code**

If the chief finance officer 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 chief finance officer. |
| 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.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| CIPFA                        | The Chartered Institute of Public Finance and Accountancy (CIPFA) is the body with responsibility for issuing guidance on how accounting standards are to apply to local authorities.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| Financial regulations        | Financial regulations are such procedures that the chief finance officer shall issue from time to time as part of the financial standing orders. They are available on the Source.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| Minor changes                | Minor changes are defined as: <ul style="list-style-type: none"> <li>• typographical/presentational/explanatory changes</li> <li>• changes in statutory framework, i.e. references to new or updated legislation</li> <li>• changes in titles, names or terminology</li> <li>• changes consequential to other constitutional changes already made.</li> </ul>                                                                                                                                                                                                                                                                                                                                                           |
| ODPM                         | The Office of the Deputy Prime Minister (ODPM) is a former government department, which became part of the Communities and Local Government (CLG) 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.

|                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|-----------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Profiles of expenditure/resources | Profiles of expenditure and resources are estimated patterns of expenditure and income through the year. For capital projects, these will often span more than one financial year. The construction of profiles enables the accurate monitoring of actuals and commitments each month which is essential to ensure that resources are used effectively.                                                                                                                                                  |
| 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. |
| Treasury management               | Treasury management is the management of the council's long term borrowing and short term cash surpluses and deficits in line with its debt and investment strategies.                                                                                                                                                                                                                                                                                                                                   |