

APPENDIX B: FINANCIAL PLANNING AND CONTROL OF RESOURCES

1 PERFORMANCE PLANS

Key Controls

1.1 The key controls for performance plans are:

- (a) to ensure that all relevant plans are produced and that they are consistent
- (b) to produce plans in accordance with statutory requirements
- (c) to meet the timetables set
- (d) to ensure that all performance information is accurate, complete and up to date
- (e) to provide improvement targets which are meaningful, realistic and challenging.

Responsibilities of the Section 151 Officer

- 1.2 To supply the financial information that needs to be included in performance plans in accordance with statutory requirements and agreed timetables.
- 1.3 To contribute to the development of corporate and service targets and objectives and performance information.

Responsibilities of Budget Holders

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

2 BUDGET FORMAT

Key Controls

2.1 The key controls for the budget format are:

- (a) the format complies with all legal requirements

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- (b) the format complies with CIPFA's Service Report Code of Practice (SeRCOP)
 - (c) the format reflects the accountabilities of service delivery.

Responsibilities of the Section 151 Officer

- 2.2 To advise the Cabinet Executive on the format of the budget that is approved by full Council.

Responsibilities of Budget Holders

- 2.3 To comply with accounting guidance provided by the Section 151 Officer.

3 BUDGET MONITORING AND CONTROL

Key Controls

- 3.1 The key controls for managing and controlling the revenue budget are:
 - (a) there is a nominated budget holder (responsible Officer) for each cost centre heading
 - (b) budget holders should be responsible only for income and expenditure that they can influence
 - (c) budget holders accept accountability for their budgets and the level of service to be delivered and understand their financial responsibilities
 - (d) budget holders follow an approved certification process for all expenditure
 - (e) Only the nominated budget holder and/or their authorised signatories can certify expenditure chargeable to their own cost centre heading
 - (f) income and expenditure are properly recorded and accounted for
 - (g) performance levels/levels of service are monitored in conjunction with the budget and necessary action is taken to align service outputs and budget.
- 3.2 Any major overspend and/or shortfall of income shall be reported by the Section 151 Officer to the Cabinet Executive as appropriate.
- 3.3 The Section 151 Officer shall make available to each budget holder income and expenditure information which, as a minimum highlights major variances.

Responsibilities of the Section 151 Officer

- 3.4 To establish an appropriate framework of budgetary management and control that ensures that:
 - (a) budget management is exercised within annual cash limits unless the full Council agreed otherwise
 - (b) each budget holder has available timely information on receipts and payments on each budget which is sufficiently detailed to enable managers

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- to fulfil their budgetary responsibilities
 - (c) expenditure is committed only against an approved budget head
 - (d) all Officers responsible for committing expenditure comply with relevant guidance, and the Financial Regulations
 - (e) each cost centre has a budget holder. As a general principle, budget responsibility should be aligned as closely as possible to the decision-making processes that commits expenditure
 - (f) significant variances from approved budgets are investigated and reported by budget holders regularly.
- 3.5 To administer the Council's approved scheme of virement.
- 3.6 To submit a report to the Cabinet Executive and to the full Council, in consultation with the relevant budget holders, where expenditure and resources is unable to be balanced within existing approved budgets.
- 3.7 To prepare and submit budget monitoring reports to the Cabinet Executive on a regular basis.

Responsibilities of Budget Holders

- 3.8 To maintain budgetary control within their services, in adherence to the principles in 3.4, and to ensure that all income and expenditure is properly recorded and accounted for.
- 3.9 To ensure that an accountable budget holder is identified for each item of income and expenditure under their control. As a general principle, budget responsibility should be aligned as closely as possible to the decision-making that commits expenditure.
- 3.10 To ensure that expenditure remains within the service's overall budget, and that individual budget heads are not overspent, by monitoring the budget and taking appropriate corrective action where significant variations from the approved budget are forecast.
- 3.11 To ensure that a monitoring process is in place to review performance levels/levels of service in conjunction with the budget and is operating effectively.
- 3.12 To prepare and submit to the relevant Cabinet Executive portfolio holder reports as required, on the service's projected expenditure and income compared with its budget.
- 3.13 To ensure prior approval by the full Council or Cabinet Executive or otherwise in accordance with the 'urgency provisions' within the Constitution (as appropriate) for new proposals, of whatever amount, that:

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

- 3.14 To ensure compliance with the scheme of virement.
- 3.15 To agree with the relevant budget holders where it appears that a budget proposal, including a virement proposal, may impact materially on another service area level of service activity.

4 BUDGETS AND MEDIUM TERM PLANNING

Key Controls

- 4.1 The key controls for budgets and medium-term planning are:
- (a) specific budget approval for all expenditure
 - (b) budget holders (responsible Officers) are fully involved in the preparation of the budgets for which they will be held responsible and accept accountability within delegations set by the Cabinet Executive for their budgets and the level of service to be delivered
 - (c) a monitoring process is in place to review regularly the effectiveness and operation of budget preparation and to ensure that any corrective action is taken.

Responsibilities of the Section 151 Officer

- 4.2 To prepare and submit reports on budget strategy for the Cabinet Executive, including resource constraints set by the Government. Reports should take account of the medium-term strategy, where appropriate.
- 4.3 To determine the detailed form of revenue estimates and the methods for their preparation after consultation with the Cabinet Executive, the Chief Executive and budget holders.
- 4.4 To prepare and submit reports to the Cabinet Executive on the aggregate spending plans of services and on the resources available to fund them identifying, where appropriate, the implications for the level of Council Tax to be levied.
- 4.5 To advise on the medium-term implications of spending decisions.
- 4.6 To encourage the best use of resources and value for money by working with all Council Officers to identify opportunities to improve economy, efficiency and effectiveness, and by encouraging good practice in conducting financial appraisals of development or savings options, and in developing financial aspects of service planning.

- 4.7 To advise the full Council on Cabinet Executive proposals in accordance with his or her responsibilities under section 151 of the Local Government Act 1972.

Responsibilities of the Budget Holders

- 4.8 To prepare estimates of income and expenditure, in accordance with instructions issued by the Section 151 Officer.
- 4.9 To prepare budgets that are consistent with any relevant cash limits with guidelines issued by the Cabinet Executive. The format should be prescribed by the Section 151 Officer in accordance with the requirements of the Cabinet Executive.
- 4.10 To integrate financial and budget plans into service planning, so that budget plans can be supported by financial and non-financial performance measures.
- 4.11 When drawing up draft budget requirements, to have regard to:
- (a) spending patterns and pressures revealed through the budget monitoring process
 - (b) legal requirements
 - (c) policy requirements as defined by the full Council in the approved policy framework
 - (d) initiatives already under way.

5 RESOURCE ALLOCATION

Key Controls

- 5.1 The key controls for resource allocation are:
- (a) resources are acquired in accordance with the law and using an approved authorisation process
 - (b) resources are used only for the purpose intended, to achieve the approved policies and objectives, and are properly accounted for
 - (c) resources are securely held for use when required
 - (d) resources are used with the minimum level of waste, inefficiency or loss for other reasons.

Responsibilities of the Section 151 Officer

- 5.2 To advise on methods available for the funding of resources, such as grants from central government and borrowing requirements.
- 5.3 To advise the Cabinet Executive on the allocation of revenue resources

across service areas.

Responsibilities of Budget Holders

- 5.4 To work within budget limits and to utilise resources allocated in the most efficient, effective and economic way.
- 5.5 To identify opportunities to minimise or eliminate resource requirements or consumption without having a detrimental effect on service delivery.

6 CAPITAL RESOURCES AND CAPITAL EXPENDITURE

Key Controls

- 6.1 The key controls for capital programmes are:
 - (a) approval by the full Council for the overall programme of capital expenditure
 - (b) expenditure on specific capital schemes, including revenue implications, is subject to the approval of the Cabinet Executive
 - (c) monitoring of progress in conjunction with expenditure and comparison with approved budget.

Responsibilities of the Section 151 Officer

- 6.2 To prepare and submit reports to the Cabinet Executive on the projected resources available to fund capital schemes.
- 6.3 To issue guidance concerning capital schemes and controls. The definition of 'capital' will be determined by the Section 151 Officer, having regard to government Regulations and accounting requirements.

Responsibilities of the Directors

- 6.4 To prepare a list of proposed schemes, in consultation with the Budget holders, involving expenditure on capital account during the ensuing 12 months, or where the scheme will run over 12 months the period of years, together with a brief description of each scheme and the total cost thereof. This list shall be referred to the Cabinet Executive. The Section 151 Officer will advise on the financial aspects of the proposals and their effect on the Council's financial policies.
- 6.5 To comply with guidance concerning capital schemes and controls issued by the Section 151 Officer.
- 6.6 To ensure that all capital proposals have undergone appropriate project appraisal.

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- 6.7 To prepare regular reports reviewing the progress on the capital programme.
- 6.8 To obtain authorisation from the Cabinet Executive for individual schemes where the estimated expenditure exceeds the capital programme provision by more than 10% subject to any overriding delegations approved by full Council in relation to virement.
- 6.9 To ensure that adequate records are maintained for all capital contracts.
- 6.10 To proceed with projects only when there is adequate provision in the capital programme.
- 6.11 To prepare and submit reports, jointly with the Section 151 Officer, to the Cabinet Executive, of any variation in contract costs greater than the approved limits. The Cabinet Executive may agree cost increases by virement from savings elsewhere within the capital programme.
- 6.12 To prepare and submit reports, jointly with the Section 151 Officer, to the Cabinet Executive, on completion of all contracts where the final expenditure exceeds the approved contract sum by more than the specified amount.
- 6.13 To consult with the Section 151 Officer and to seek Cabinet Executive approval where a budget holder proposes to bid for supplementary credit approvals to be issued by government departments to support expenditure that has not been included in the current year's capital programme.

7 CODE OF PRACTICE ON PRUDENT APPROACH TO LOCAL AUTHORITY COMMITMENTS

- 7.1 The Council has adopted "The Code of Practice on a Prudent Approach to Local Authority Commitments".

The Code has two essential strands in the consideration of commitments:

- (a) at the time of the consideration of significant individual proposals which would lead to new commitments
 - (b) the periodic projection of the aggregate position into a medium term commitment plan which can be used to assess the implications for revenue requirements in future years.
- 7.2 Prior to the commencement of any capital scheme, the relevant budget holder shall submit in consultation with the Section 151 Officer, the following details to the Cabinet Executive for consideration:
- (a) the revenue consequences of the decision over a three year period (i.e. the budget year in question and the following two years) and the

- consequences for any future year where these are significant
- (b) a cost comparison illustrating the difference between the costs of a conventional borrowing route and the chosen financial option (PWLB lending rates of the appropriate maturity should be considered as the benchmark for this purpose)
 - (c) the implications for the medium term commitment plan of any decision to take on new commitments.

8 MAINTENANCE OF RESERVES

Key Controls

- 8.1 To maintain reserves in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice and agreed accounting policies.

Responsibilities of the Section 151 Officers

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

Responsibilities of Budget Holders

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