

### **3. BUDGET AND POLICY FRAMEWORK PROCEDURES**

#### **3.1 The framework for decision making**

The Council will be responsible for the adoption of its budget and policy framework as set out in Article 4. Once a budget or a policy framework is in place, it will be the responsibility of the Policy Committees to implement it.

#### **3.2 Process for developing the framework**

- (a) The Council will produce annually a programme for establishing the budget and policy framework for the following year.
- (b) The policy and budget framework presented to Council will be available for public consultation. As part of this public consultation, the Council will consult with local businesses.
- (c) In approving the policy and budgetary framework, the Council will also specify the extent of virement within the budget and degree of in-year changes to the policy framework, which may be undertaken by Policy Committees, in accordance with its Financial Regulations. Any other changes to the policy and budgetary framework are reserved to the Council.

## **4. FINANCIAL REGULATIONS**

### **1.0 INTRODUCTION**

- 1.1 The purpose of the Council's Financial Regulations is to provide the framework for managing the Council's financial affairs. They apply to every Member and officer of the Council and anyone acting on its behalf.
- 1.2 Every officer has a responsibility to read and be familiar with these Regulations. Non-compliance may be considered to be a disciplinary offence and will be dealt with in accordance with the Council's Disciplinary Policy and Procedure.
- 1.3 It is the responsibility of the Chief Executive or Directors (to ensure that all staff under their control are aware of the Council's Financial Regulations and other internal regulatory documents and that they comply with them. They shall also ensure that an adequate number of copies are available for reference within their departments.
- 1.4 The Financial Regulations identify the financial responsibilities of the Council, the Resources & Finance Committee, the Chief Executive as Head of Paid Service, the Monitoring Officer, the Chief Finance Officer, Directors and Service Leads. The Council shall maintain a written record where decision-making has been delegated to members of staff, including seconded staff.
- 1.5 All Members and staff have a general 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, is properly authorised, provides value for money and achieves best value.
- 1.6 The Chief Finance Officer shall maintain a continuous review of the Financial Regulations and submit any additions or changes necessary to the Council for approval. The Chief Finance Officer shall also report, where appropriate, breaches of the Financial Regulations to the Council.
- 1.7 Detailed Financial Procedure Rules setting out how the Financial Regulations will be implemented/applied are contained as an appendix to these Regulations.
- 1.8 The Chief Finance Officer will also issue advice, guidance and procedures to underpin the Financial Regulations that Members, officers and others acting on behalf of the Council are required to follow.

### **2.0 FINANCIAL MANAGEMENT**

#### **2.1 Introduction**

- 2.2 Financial management covers all financial accountabilities in relation to the running of the Council, including the policy framework and budget.

### **3.0 THE COUNCIL**

- 3.1 The Council is responsible for adopting and approving the budget within which the Council operates. It is also responsible for approving and monitoring compliance with the Council's overall framework of accountability and control.

**4.0 THE STATUTORY OFFICERS**

## 4.1 Head of Paid Service

The Council's Head of Paid Service for the purposes of Section 4 of the Local Government and Housing Act 1989 is the Chief Executive.

## 4.2 Monitoring Officer

The Monitoring Officer, together with the Chief Finance Officer is also responsible for advising the Council whether a decision is likely to be considered contrary to or not wholly in accordance with the budget. Actions that may be 'contrary to the budget' include:

- (i) initiating a new policy
- (ii) committing expenditure above the budget level
- (iii) incurring interdepartmental transfers above virement limits
- (iv) causing the total expenditure financed from council tax, grants and corporately held reserves to increase, or to increase by more than a specified amount.

## 4.3 The Chief Finance Officer has statutory duties in relation to the financial administration and stewardship of the authority. This is a statutory responsibility and cannot be overridden. The statutory duties arise from:

- (i) Section 151 of the Local Government Act 1972
- (ii) The Local Government Finance Act 1988
- (iii) The Local Government and Housing Act 1989
- (iv) The Accounts and Audit Regulations 2003 (SI 2003/533)

## 4.4 The Chief Finance Officer is responsible for:

- (i) the proper administration of the authority's financial affairs
- (ii) setting and monitoring compliance with financial management standards
- (iii) advising on the corporate financial position and on the key financial controls necessary to secure sound financial management
- (iv) providing financial information
- (v) preparing the revenue budget and capital programme
- (vi) treasury management.

## 4.5 In accordance with Section 114 of the Local Government Finance Act 1988 the Chief Finance Officer shall report to the Council and the external auditor if the Authority or one of its officers:

- (i) has made, or is about to make, a decision which involves incurring unlawful expenditure
- (ii) has taken, or is about to take, an unlawful action which has resulted or would result in a loss or deficiency to the authority
- (iii) is about to make an unlawful entry in the authority's accounts.

- 4.6 The Chief Finance Officer shall in accordance with Section 114 of the 1988 Act nominate a properly qualified member of staff (if available) to deputise should he or she be unable to perform the duties under Section 114 personally.
- 4.7 The Chief Finance Officer shall report to Council where insufficient staff, accommodation or other resources, including legal advice where necessary, are provided for him to properly carry out his duties under Section 114.
- 4.8 The Chief Executive and the Services Lead shall ensure that members are advised of the financial implications of all proposals and that the financial implications have been agreed by the Chief Finance Officer
- 4.9 These officers shall consult with the Chief Finance Officer and seek approval on any matter liable to affect the Council's finances materially, before any commitments are incurred.

#### **5.0 OTHER FINANCIAL ACCOUNTABILITIES**

- 5.1 The Council may agree procedures for virement of expenditure between budget headings.
- 5.2 There is to be a presumption against additions to the budget being made other than through the annual budget round as described below at 6.1. In the normal course of events, the only such supplementary estimates that would be approved would be to meet the costs arising from unforeseen and/or unavoidable eventualities that cannot be accommodated by the normal virement process. The approval by Resources & Finance Committee of such supplementary estimates would be conditional on the formulation of an appropriate recovery plan to protect the overall financial position of the Council.
- 5.3 Without the prior approval of Resources & Finance Committee:
- (a) In the normal course of events it is recognised that spending commitments may be entered into that cause a budget to become overspent due to a necessary response to emergencies, statutory requirements, statutory entitlements, or other imperatives of the service. Such variances, however, must be reported to the Chairman and Group Spokespersons of the relevant Policy Committee and Resources & Finance Committee at the earliest opportunity and brought to the next relevant Policy Committee meeting and subsequent Resources & Finance Committee meeting for confirmation of the corrective action proposed.
  - (b) Any savings arising from the late or delayed start of new projects or initiatives are to be returned to the central contingency fund.
  - (c) Unforeseen savings against budget (through unexpected reductions in cost or non-volume driven increases in income) are to be returned to the central contingency fund.
- 5.4 With Resources & Finance Committee's prior approval, 50% of planned, or engineered, savings against budget can be used to support non-recurring budgets elsewhere within a Policy Committee's remit; the balance shall be returned to the central contingency fund.

5.5 Service development proposals exceeding £25,000, including improvement and change options arising from service plans, must be accompanied by a detailed financial appraisal setting out any external funding streams and the long-term financial implications for the Council.

5.6 Policy Committees shall receive quarterly budget monitoring reports with a requirement to consider outturn projections including virements approved under the mechanisms set out above.

5.7 Resources & Finance Committee shall be responsible for the management of the liabilities and duties arising under Section 106 agreements. Regular reports will be submitted to the Committee detailing those commitments and the relevant available funds.

5.8 Accounting Policies

The Chief Finance Officer shall select appropriate accounting policies and ensure that they are applied consistently.

5.9 Accounting Records and Returns

The Chief Finance Officer shall determine the accounting procedures and records for the authority.

5.10 The Annual Statement of Accounts

The Chief Finance Officer shall ensure that the annual Statement of Accounts is prepared in accordance with relevant legislation and the Codes of Practice. The Resources & Finance Committee shall approve the annual Statement of Accounts.

## **6.0 FINANCIAL PLANNING**

6.1 **Preparation of the Revenue Budget**

The Resources & Finance Committee will set the parameters for each Committee's budget including:

- (a) provision for increases in cost for inflation
- (b) provision to cover specific volume changes in services caused directly by population changes
- (c) efficiency cost reduction targets
- (d) variations in budget to be delivered through service adjustments
- (e) funding of service development proposals arising from the Service Plan process.

The December meeting of the Resources and Finance Committee will consider any changes required to policies on the collection of Council Tax or Business Rates, such as rules on discounts and reductions.

The January meeting of Committee will consider the overall budget, with the budget report detailing:

- Government Funding,

- Budget Assumptions
    - provision for increases in cost for inflation and volume changes
    - variations in budget to be delivered through service adjustments, including the funding of service development proposals,
  - Collection of Council Tax and Business Rate, including the Council Tax base,
  - Council Reserves,
  - Fees and charges,
  - Capital Programme,
  - Risk and Sensitivity,
  - Medium Term Financial Strategy,
- And then in a separate, but linked report, the Council's Treasury Management Strategy.

## 6.2 Guidelines

Guidelines on budget preparation shall be issued to Members and officers by the Chief Finance Officer following agreement with the Resources & Finance Committee.

The guidelines shall take account, as appropriate, of:

- (i) available resources
- (ii) legal requirements
- (iii) medium-term financial planning prospects
- (iv) the corporate plan
- (v) spending pressures
- (vi) best value and other relevant government guidelines
- (vii) other internal policy documents
- (viii) cross-cutting issues.

## 6.3 Preparation of the Capital Programme

The Chief Finance Officer shall ensure that a capital programme is prepared on an annual basis for consideration by Resources & Finance Committee at its January meeting before submission to the Council.

## 6.4 Budget Monitoring and Control

It is the responsibility of the Chief Executive, Directors and Service Leads to control income and expenditure within their area and monitor performance, taking account of financial information provided by the Chief Finance Officer. They shall report on material variances within their own areas. They shall also take any action necessary to avoid exceeding their budget allocation and alert the Chief Finance Officer to any problems.

The Chief Finance Officer shall provide appropriate financial information to enable both revenue and capital budgets to be monitored effectively. The Chief Finance Officer shall also monitor and control expenditure against budget allocations and report to Resources & Finance Committee on the overall position on a quarterly basis.

## 6.5 Maintenance of Reserves

The Chief Finance Officer shall advise the Resources & Finance Committee and the Council on prudent levels of reserves for the Council.

## **7.0 RISK MANAGEMENT AND CONTROL OF RESOURCES**

### **Introduction**

- 7.1 The Council will develop and maintain robust, integrated systems for identifying and evaluating all significant operational risks to the Council. This will include the proactive participation of all those associated with planning and delivering services.

### **Risk Management**

- 7.2 The Resources & Finance Committee is responsible for approving the Council's Risk Management Policy and for reviewing the effectiveness of risk management. The Chief Finance Officer shall ensure that the Council has proper arrangements for insurance.
- 7.3 The Chief Executive shall prepare the Council's Risk Management Policy and promote it throughout the organisation.

### **Internal Control**

- 7.4 The Chief Finance Officer shall advise on effective systems of internal control. These arrangements shall ensure compliance with all applicable statutes and regulations, and other relevant statements of best practice. They shall ensure that public funds are properly safeguarded and used economically, efficiently, and in accordance with the statutory and other authorities that govern their use.
- 7.5 The Chief Executive, Directors and Service Leads shall establish 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.

### **Audit Requirements**

- 7.6 The Accounts and Audit Regulations 2015 issued by the Secretary of State for the Environment require every local authority to maintain an adequate and effective internal audit. The Council has designated responsibility for this function to the Chief Finance Officer.
- 7.7 The Head of Internal Audit, in consultation with the Chief Finance Officer shall maintain a two year Strategic Plan from which an Annual Audit Plan will be prepared detailing the areas of audit coverage for the following year.
- 7.8 The Council is responsible for appointing its external auditors. 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.
- 7.9 The authority may, from time to time, be subject to audit, inspection or investigation by external bodies such as HM Revenue and Customs, who have statutory rights of access.

- Preventing Fraud and Corruption
- 7.10 The Chief Finance Officer, in consultation with Head of Internal Audit, shall develop and maintain an anti-fraud and anti-corruption strategy.

### **Assets**

- 7.11 The Chief Executive or Directors or Service Lead shall ensure that records and assets are properly maintained and securely held. They shall also ensure that contingency plans are in place for the security of assets and continuity of service in the event of disaster or system failure.

### **Treasury Management**

- 7.12 The Council shall adopt the key recommendations contained in CIPFA's Treasury Management in Public Services: Code of Practice 2001.
- 7.13 To ensure effective treasury management the Council shall maintain:
- (i) a Treasury Management Policy Statement, stating the policies and objectives of its treasury management activities
  - (ii) treasury management practices, setting out the manner in which the Council will seek to achieve the policies and objectives and how it will control activities
- 7.14 Full Council shall receive reports on the Council's Treasury Management and Annual Investment Strategy policies, practices and activities including, as a minimum, an annual strategy plan, in advance of the year, a mid-year position statement and an annual report after its close in the form prescribed in the Treasury Management Practices.
- 7.15 The Chief Finance Officer shall have delegated responsibility for the execution and administration of treasury management decisions in accordance with the Policy Statement, Treasury Management Practices and CIPFA's Standard of Professional Practice on Treasury Management.

## **8.0 SYSTEMS AND PROCEDURES**

### **Introduction**

- 8.1 Sound systems and procedures are essential to an effective framework of accountability and control.

### **General**

- 8.2 The Chief Finance Officer is responsible for the operation of the Authority's accounting systems, the form of accounts and the supporting financial records. No changes may be made by the Chief Executive or Directors or Service Leads to existing financial systems or new systems established without the approval of the Chief Finance Officer. The Chief Executive or Directors or Service Lead are responsible for the proper operation of financial processes within their areas of responsibility.



- 8.3 The Chief Executive or Directors or Service Leads shall ensure that their staff receive relevant financial training as may be approved from time to time by the Chief Finance Officer.

#### **Income and Expenditure**

- 8.4 The Chief Executive or Directors or Service Lead shall ensure that a proper scheme of delegation has been established within their areas of responsibility and that it is operating effectively. The internal schemes of delegation shall identify members of staff authorised to act on behalf of the Chief Executive or Directors or Service Leads, or on behalf of the Council, in respect of payments, income collection and placing orders, together with the limits of their authority. The Resources & Finance Committee is responsible for approving procedures for writing off debts as part of the overall control framework of accountability and control.

#### **Payments to Employees and Members**

- 8.5 The Chief Executive or Directors or Service Leads shall approve all payments relating to salaries, wages, travelling expenses etc. of their staff in accordance with the approved list of authorised signatories.
- 8.6 The Chief Finance Officer is responsible for all payments of salaries, wages, travelling expenses etc. to staff, and payments of allowances to members, this via the outsourced contract with Midlands HR.

#### **Taxation**

- 8.7 The Chief Finance Officer shall advise the Chief Executive or Directors or Service Lead in the light of guidance issued by appropriate bodies and relevant legislation as it applies, on all taxation issues which may affect the Council.
- 8.8 The Chief Finance Officer shall maintain the Council's tax records, making all tax payments, receiving tax credits and submitting tax returns by their due date as appropriate.

#### **Trading Accounts**

- 8.9 The Chief Finance Officer shall give advice on the operation of existing trading accounts. No changes may be made to existing trading accounts without the approval of the Chief Finance Officer.
- 8.10 No new trading accounts may be established by the Chief Executive or Directors or Service Lead without the approval of the Chief Finance Officer.

### **9.0 EXTERNAL ARRANGEMENTS**

#### **Partnerships**

- 9.1 The Chief Executive or Directors or Service Lead shall not enter into any partnerships or joint ventures without first consulting the Chief Finance Officer.
- 9.2 The Chief Finance Officer shall ensure that the accounting arrangements to be adopted relating to partnerships and joint ventures are satisfactory. The Chief Finance Officer

shall also consider the overall corporate arrangements and legal issues when arranging contracts with external bodies, and shall ensure that the risks have been fully appraised before agreements are entered into with external bodies.

- 9.3 The Chief Executive or Directors or Service Leads shall ensure that appropriate approvals are obtained before any negotiations are concluded in relation to work with external bodies.

#### **External Funding**

- 9.4 The Chief Finance Officer shall ensure that all funding notified by external bodies is received and properly recorded in the authority's accounts.

### **10.0 FINANCIAL PROCEDURE RULES**

- 10.1 Financial Procedures Rules set out in detail the requirements of the Council's financial processes and are intended to support these Financial Regulations.
- 10.2 The Financial Procedure Rules are working documents and therefore they will develop/change as good practice determines. The Chief Finance Officer shall periodically issue an updated copy of the procedures.
- 10.3 The Chief Executive or Directors or Service Lead are required to ensure that all staff adhere to the Financial Regulations and finance procedure rules, and are responsible for ensuring that staff are adequately trained in their application. A current version shall also be placed on the Council's intranet site.
- 10.4 The Financial Procedure Rules cover guidance in the following areas:

General guidance  
Statutory requirements

#### **FINANCIAL MANAGEMENT**

#### **FINANCIAL SYSTEMS**

Accounting Systems  
All Financial Systems

#### **REVENUE BUDGETS**

Setting a Budget  
Incurring Expenditure and Virements  
Controlling Expenditure and Income  
Reserves  
Monitoring Expenditure  
Reporting the Outturn

#### **CAPITAL BUDGET**

Setting a Budget  
Additions and Amendments to Capital Programme  
Incurring Expenditure

Controlling Expenditure  
Capital Monitoring  
Carry Forward of Resources  
Capital receipts

#### GRANTS AND OTHER EXTERNAL FUNDING

#### ACCOUNTS

#### FINANCIAL ADMINISTRATION – EXPENDITURE AND INCOME

Authorised Officers  
Orders for Works, Supplies and Services  
Payments for Works, Supplies and Services  
Salaries and other payments to employees and Members  
Income  
Credit Income  
Cash and cheques  
Recovery of Debt  
Write-off of Debts  
VAT  
Banking Arrangements  
Bank Reconciliations  
Council Purchase Cards  
Stock  
Cash Advances, Petty Cash Floats and Imprest Accounts

#### ASSET REGISTER

Buildings, Land and Other Assets

#### RISK MANAGEMENT AND INSURANCE

#### TREASURY MANAGEMENT

#### INTERNAL AUDIT

General  
Audit Planning and Reporting  
Directors and employees responsibilities in respect of financial control and irregularities  
Investigations

#### EXTERNAL AUDIT

#### GLOSSARY