

## APPENDIX B FINANCIAL PROCEDURE RULES FOR OFFICERS – PROPOSED AMENDMENTS

	Current Requirement		Proposed Requirement	Reason for Change
Throughout	Various references to “Medium-Term Financial Planning”	Throughout	This should be “Medium-Term Financial Strategy”	Better strategic fit with the decision-making framework.
C1	The Chief Finance Officer will, based on the information available to them, set out the financial prospects for the Council in a Medium Term Financial Forecast and develop a Medium Term Financial Plan with the Corporate Management Team and the Cabinet for recommendation to Council as part of the budget setting process. Existing proposals will be re-examined in the light of changing circumstances and the Council's objectives and priorities, and new proposals will be added for the succeeding years if required.	C1	The Chief Finance Officer will, based on the information available to them, set out the financial prospects for the Council in a Medium Term Financial Forecast <u>as part of quarterly financial monitoring</u> and develop <u>a 5-Year Medium Term Financial Strategy Plan</u> with the Corporate Management Team and the Cabinet for recommendation to Council as part of the budget setting process. Existing proposals will be re-examined in the light of changing circumstances and the Council's objectives and priorities, and new proposals will be added for the succeeding years if required.	Embedding quarterly monitoring & commentary on the MTFS into Fin Regs.  Embedding the requirement for the MTFS to be a 5-Year Strategy.
D1	The Chief Finance Officer will prepare annually, in consultation with the Corporate Management Team, estimates of income and expenditure for the ensuing year and projections for two years thereafter and on capital in a 3-5	D1	The Chief Finance Officer will prepare annually, in consultation with the Corporate Management Team, <u>a</u> <ul style="list-style-type: none"> <li><u>Revenue Budget and a Medium-Term Financial Strategy that includes</u></li> </ul>	Clarification about the MTFS and capital strategy.

	year forecast, consistent with the general directions of the Cabinet.		<u>estimates of income and expenditure for the ensuing year (the budget year) and projections for four two years thereafter, and</u> <ul style="list-style-type: none"> <li>• <u>Capital, a 5 year Capital Programme.</u></li> </ul> <u>The Budget, MTFS and Capital Programme will be expected to be consistent with the general directions of the Cabinet and corporate priorities.</u>	
D4	The Corporate Management Team and Service Managers will review their base budgets annually with a view to correcting over and under spending within their overall approved budgets, releasing any budgets no longer required, and identifying any service pressures.	D4	<u>The Corporate Management Team and Service Managers will review their base budgets annually with a view to correcting over and under spending within their overall approved budgets, releasing any budgets no longer required, identifying any service pressures but ensuring that service budgets are developed based on the Cabinet approved budget principles.</u>	Clarification for need to approve budget principles.
		D4.1	<u>The Chief Financial Officer will prepare a report for Cabinet that states the principles on which the budget will be produced; it is expected that Cabinet will approve these budget principles prior to the Draft Budget thereby giving sufficient time for officers to</u>	Further clarification for need to approve budget principles.

			<u>develop their budget and MTFS proposals. It is expected that officers will produce budgets based on these principles and any variation will be reported to Cabinet at the draft budget approval stage.</u>	
		D4.2	<u>The process of approving the Budget &amp; MTFS will follow a 2-stage process; Draft and Final budget. The Draft budget will include the main budget assumptions and the Final will reflect any subsequent changes prior to presentation to Council. It is expected that Scrutiny will review the Draft budget once considered by Cabinet.</u>	Formalisation of 2-stage budget setting process.
E5	When planning capital expenditure, Chief Officers are responsible for providing for a risk based contingency or 15% of the value of a specific scheme. This contingency only allows for unforeseen expenditure not for improvements in specification. If not required the contingency will be released as savings or for reprioritisation.	E5	<u>When planning capital expenditure, officers are responsible for providing "fair estimates" of the actual cost of the project based on sound business cases; such estimates are to include a contingency not exceeding 5%; officers will be expected to keep within the cost estimate.</u>  <u>However, once a project is underway and it becomes evident that a further capital allocation is needed; if the additional allocation is</u>	Including a 15% contingency into all projects:  I) means that the 15% has to be financed - thereby tying up scarce resource (i.e. revenue resources via MRP or cap rec)  II) will effectively "grow" the

		<p>a) <u>&lt;10%, this will need to be agreed by the Chief Financial Officer and the Portfolio Holder for Finance - with a supporting statement by the service Director and Portfolio Holder.</u></p> <p>b) <u>&gt;10%, then the service will report to Cabinet who will request additional resources from Council.</u></p> <p><u>Additional capital allocations will be financed as follows; either:</u></p> <ol style="list-style-type: none"> <li>1. <u>A direct revenue allocation (direct revenue financing, grant or similar),</u></li> <li>2. <u>or:</u></li> <li>i. <u>A contingency capital programme allocation, representing 5% of that years capital programme will be maintained. This capital allocation will be "unfinanced" but if it is needed, then the respective service will have an additional capital financing</u></li> </ol>	<p>project budget beyond that necessary.</p> <p>It is better for the capital programme to be built based on "true" cost but with a marginal contingency; thereby managers will more actively manage costs and the revenue implication of excessive contingency is a minimised.</p>
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			<p><u>(MRP) charge (this is equivalent to 50% of the 15% noted in (a) above).</u></p> <p>ii. <u>For amounts exceeding the amount in (2 i), this will be from a direct revenue contribution (underspend) or reallocation of capital resources from another project. If the latter, Cabinet will approve from which other capital allocation will be applied.</u></p>	
E8	The Chief Finance Officer will recommend to Cabinet the level of a general contingency for the capital programme over and above specific scheme contingencies.	E8	<del>The Chief Finance Officer will recommend to Cabinet the level of a general contingency for the capital programme over and above specific scheme contingencies.</del>	Delete as not required, see E5 above.
E9	In exceptional circumstances (e.g. a serious and immediate detrimental effect on service delivery), the Chief Finance Officer, in consultation with the Chief Executive, Leader of the Council and the Cabinet Member responsible for Finance, can authorise expenditure on a programme to ensure continuing service delivery either from a relevant programme budget or the	E8	<del>In exceptional circumstances (e.g. a serious and immediate detrimental effect on service delivery), the Chief Finance Officer, in consultation with the Chief Executive, Leader of the Council and the Cabinet Member responsible for Finance, can authorise expenditure on a programme to ensure continuing service delivery either from a relevant programme budget or the</del>	Delete as not required, see E5 above.

	<p>general contingency for the capital programme. The exercise of this authority is subject to reporting to the next available Cabinet meeting for in year financial reporting as set out in Financial Procedure Rule I.</p>		<p><del>general contingency for the capital programme. The exercise of this authority is subject to reporting to the next available Cabinet meeting for in year financial reporting as set out in Financial Procedure Rule I.</del></p>	
F1	<p>The Chief Finance Officer shall be informed immediately of any decision, course of action or entry of item of account, actual or proposed which may give rise to a report under Section 114 (2) of the Local Government Finance Act 1988. Where the Chief Finance Officer believes that the Council, the Cabinet, one of its committees or one of its officers is about to make a decision which would be unlawful then they must, as required by Section 114 of the Local Government Finance Act 1988.</p>	F1	<p>The Chief Finance Officer shall be informed immediately of any decision, course of action or entry of item of account, actual or proposed which may give rise to a report under Section 114 (2) of the Local Government Finance Act 1988. Where the Chief Finance Officer believes that the Council, the Cabinet, one of its committees or one of its officers is about to make a decision which would be unlawful then they must, as required by Section 114 of the Local Government Finance Act 1988 <u>to report this to Council.</u></p>	<p>Missing words now added.</p>
G1	<p>A system of cash limits operates within the Council, that is, all budgets include inflation. Budget Holders, Service Managers, Chief Officers and the Chief Executive are responsible and accountable for achieving their cash limited budgets and for the security, custody and control of all resources within their control.</p>	G1	<p>The Council operates an "<u>incremental</u>" budget system; in that, parts of a budget are controlled by the service manager and other parts are controlled centrally. Budget Holders, Service Managers, Chief Officers and the Chief Executive are responsible and accountable for achieving their budgets and for the security,</p>	<p>The Council does not operate "cash limited" budgets; it operates an "incremental" budget system that is in part controlled by managers (service/contract spend etc) and other parts controlled by the CExec</p>

			custody and control of all resources within their control.	(establishment, pay awards etc).
G5	Any report to Council, or any body of the Council which would involve the Council in any income and expenditure shall indicate the extent to which this is covered by estimates and be agreed with the Chief Finance Officer.	G5	Any report to Council, or any body of the Council which would involve the Council in any income and expenditure shall indicate <u>full financial implications, authored by the report writer, and includes a commentary on the available budget (revenue or capital) and the forecast outturn (such commentary to include reasons for variances).</u> Such financial implications should be agreed with the Chief Finance Officer.	Financial implications to include a commentary on the budget allocated and the expected forecast outturn.
G7	Virement is the means by which budgets can be transferred during a financial year. Service Managers are authorised to vire directly controllable income and expenditure within (not between) their service related cost centres with the approval of their Chief Officer and in consultation with the Chief Finance Officer or their staff.	G7	<u>Virements are a permanent change to budget allocations and will apply across the MTFS.</u>  <u>Service managers and Chief Officers are authorised to vire between the cost centres that they are responsible for.</u>  <u>Virements between Chief Officers are authorised, subject to agreement between respective Portfolio Holders.</u>  <u>No virement can increase the Net Expenditure in any financial year</u>	Virements are an appropriate means to align financial resources to corporate priorities. Further, virements should be a stream-lined as possible.
G8	Chief Officers are authorised to vire directly controllable income and expenditure between their service related cost centres in consultation with the Chief Finance Officer, the Leader of the Council and the relevant Cabinet Member.			

			<u>and virements between years are not permitted.</u>	
G10	The Chief Finance Officer will be consulted about any virement over £25,000 and informed of all virement in a prescribed form to reflect them in financial systems.	G10	<u>The Chief Finance Officer will be consulted about any virement over £25,000 and informed of all virement in a prescribed form to reflect them in financial systems.</u>	This will ensure that the financial management system and the MTFS accurately represent resource planning
G13	The Cabinet reserves the right to roll forward overspending on budgets as a first call on the next year's budget as recommended to Council.	G13	<del>The Cabinet reserves the right to roll forward overspending on budgets as a first call on the next year's budget as recommended to Council.</del>	Delete; it is not possible to roll-forward overspends.
J2	c) comply with the any extant Local Authority Code of Accounting practice and related advice.		<u>c) comply with the Local Authority Code of Accounting practice and related advice; subject to any statutory overrides or the use of the Chief Financial Officer "True &amp; Fair View Override" (although the use of CFO override is highly unlikely and will be subject to external audit review).</u>	Recognising the local authority statutory override regime.
		L01	<u>Internal Audit must report functionally to the Audit &amp; Standards Committee (those charged with governance).</u>	New requirement; as required by the Public Sector Internal Audit Standards.
L1	The Chief Finance Officer will maintain an adequate and effective internal audit of all activities of the Council.	L1	The Chief Financial Officer will maintain: <ul style="list-style-type: none"> <li>an adequate and effective internal audit of all activities of the Council</li> </ul>	Clarification of roles of CFO and Internal Audit.



			<ul style="list-style-type: none"> <li>• <u>day-to-day operational oversight of Internal Audit, and be</u></li> <li>• <u>Internal Audit's first point of contact with the Council.</u></li> </ul>			
L3	The Head of Internal Audit will have direct access to the Chief Executive and the Chair of the Audit and Standards Committee.	L3	The Head of Internal <u>Audit must establish effective communication with, and have free and unfettered access to, the Chief Executive and the Chair of the Audit and Standards Committee.</u>	Updated requirement; as required by the Public Sector Internal Audit Standards.		
O3	Decisions on disposals and acquisitions of land and property are delegated as set out below:	O3	Decisions on disposals and acquisitions of land and property are delegated as set out below:	Greater transparency in decision-making and agility to dispose and acquire assets; thereby securing best use of available resources.		
	Amount		Decisions on disposals and acquisitions of land and property delegated to		a)	<u>Small Land - such land is &lt;0.25 acres and will be subject to disposal as per the "Small Land Sales Policy"</u>
	£0 - £1m		The Director; Finance and Assets (as Corporate Property Officer) in consultation with the Director Law and Governance (as Monitoring Officer) in consultation with The Leader, Deputy Leader and the		<u>For land greater than 0.25 acres and all land acquisition</u>	

		Cabinet Member for Finance			
	£1n - £2.5m	The Director; Finance and Assets in consultation with the Director Law and Governance (as Monitoring Officer) following consultation with all Cabinet members	1	£0 - £500k	Director; Finance, ICT & Assets + Chief Executive + Cabinet Member for Finance.
	+ £2.5m	Cabinet	2	£500k - £1m	As (Q3-1) + the Leader
			3	£1m - £2.5m	As (Q3-2) + consultation with all Cabinet Members
			4	+ £2.5m	Cabinet decision
P1	All information and communications technology (ICT) equipment, digital equipment, computer programs, or IT consultancy must be approved by the Service Manager for ICT in consultation with the Chief Finance Officer and the Council's Data Protection Officer, so as to ensure best price and system compatibility and interoperability with the Council's ICT infrastructure.	P1	All information and communications technology (ICT) equipment, digital equipment, computer programs, or IT consultancy must be approved by the Service Manager for ICT in consultation with the Chief Finance Officer <del>and the Council's Data Protection Officer</del> , so as to ensure best price and system compatibility and interoperability with the Council's ICT infrastructure.	Unnecessary to include the Data Protection Officer as the requirement to adhere to Data Protection is the responsibility of all officers and its requirements are reflective in all Council policies.	
P3	Any new proposal for the acquisition of ICT should include a proportionate embedding of	P3	Any new proposal for the acquisition of ICT <u>that is a Major Project or greater than £100k; this</u>	Internal Audit should only be included in non-routine or exceptional activity.	

	internal audit in the project, including a “ready to go live” stage.		<u>should be highlighted to Internal Audit for assessing for potential inclusion in the audit plan</u> <del>should include a proportionate embedding of internal audit in the project, including a “ready to go live” stage.</del>	Further, setting a mandatory requirement of Internal Audit involvement fetters their discretion to be involved.
P4	Any new application or system shall not be operated with live data until the Service Manager for ICT has confirmed in writing that all requirements have been met and this is confirmed by internal audit.	P4	Any new application or system shall not be operated with live data until the Service Manager for ICT has confirmed in writing that all requirements have been met <del>and this is confirmed by internal audit.</del>	Internal Audit should only be included in non-routine or exceptional activity. Further, setting a mandatory requirement of Internal Audit involvement fetters their discretion to be involved.
Q4	The normal method of Council payment shall be by bank automated clearing system (BACS), clearing house automated payment systems (CHAPS) or cheque, drawn on the authority's bank account.	Q4	The normal method of Council payment shall be by bank automated clearing system (BACS) <u>or Faster Payments.</u> The use of clearing house automated payment systems (CHAPS) or cheque will be a last resort.	More efficiency and cost effective cash processing.
Q5	All cheques, CHAPS and BACS transmissions and other payment orders or instructions for amounts to be determined from time to time by the Chief Finance Officer and for specified authorised officers.	Q5	Requirement not needed	An unnecessary requirement; this is enshrined in the day-to-day practice of Treasury Management and operating in a Value for Money environment.
Q12	The alpha sub-points need correction			Grammar correction.

Q27	All work, goods or services must have an official order. Any exceptions will be defined in the Procurement SORP.	Q27	All work, goods or services must have an official order. <del>Any exceptions will be defined in the Procurement SORP.</del>	No exemptions, an official order must be provided.
Q41	Arrangements for the collection of all money due to the Council shall be approved by and the Chief Finance Officer.	Q41	Arrangements for the collection of all money due to the Council shall be approved by <u>the service manager and reported to</u> the Chief Finance Officer.	Grammar correction for missing words and clarification.
Q49	The Chief Finance Officer will report annually to the Audit and Standards Committee on the number value and reason for write offs during the preceding financial year.	Q41	<del>The Chief Finance Officer will report annually to the Audit and Standards Committee on the number value and reason for write offs during the preceding financial year.</del>	Delete as unnecessary as write-offs are reported to Cabinet.
Q71	The Chief Finance Officer shall, within the guidelines laid down by the Council and the law, be responsible for all funds for which the Council acts as a Trustee.	Q71	<del>The Chief Finance Officer shall, within the guidelines laid down by the Council and the law, be responsible for all funds for which the Council acts as a Trustee.</del>	Delete as the Council does not hold any Trust Funds.

## BUDGET & POLICY FRAMEWORK PROCEDURES

Current Requirement		Proposed Requirement		Reason for Change
6	The Chief Finance Officer is, under Section 151 of the Local Government Act 1972, responsible for the proper administration of the Council's financial affairs under the general direction of the Cabinet.	6	The Chief Finance Officer is, under Section 151 of the Local Government Act 1972, responsible for the proper administration of the Council's financial affairs <del>under the general direction of the Cabinet.</del>	The 151 responsibility is a "personal and fiduciary" duty of the post holder; it is not under the direction of Cabinet or any other body of the Council.

<p>7 b)</p>	<p>Such bodies or individuals shall, however, be entitled to vire across budget heads as provided for within the Regulation 4 of Part 4(6) of this Constitution. In relation to the Cabinet that states that Chief Officers may, no more than once per quarter and following consultation with the Chief Officer (Resources) and with the prior approval of the Cabinet, exercise virement between "Service Heads" budgets (subject to the total Budget not being exceeded) for amounts not exceeding £10,000. Such a virement occurring more than once per quarter annum or for an amount above £10,000 will require the approval of the Council.</p>	<p>7 b) <del>Such bodies or individuals shall, however, be entitled to vire across budget heads as provided for within the Regulation 4 of Part 4(6) of this Constitution. In relation to the Cabinet that states that Chief Officers may, no more than once per quarter and following consultation with the Chief Officer (Resources) and with the prior approval of the Cabinet, exercise virement between "Service Heads" budgets (subject to the total Budget not being exceeded) for amounts not exceeding £10,000. Such a virement occurring more than once per quarter annum or for an amount above £10,000 will require the approval of the Council.</del></p>	<p>Delete, this is not consistent with the Financial Procedure Rules for Officers.</p> <p>The purpose of a virement is to meet corporate priorities from within existing resources. There should be freedom to use as officers consider necessary (this is standard practice in local government).</p>
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