
Financial and budget procedure rules

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Elmbridge
Borough Council

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1. Introduction

The Chief Finance Officer is responsible, under Section 151 of the Local Government Act 1972, for the “proper administration of the Council’s financial affairs.”

Financial and Budget Procedure Rules provide the framework for managing the Authority’s financial affairs. They apply to every Councillor and officer of the Council and anyone acting on behalf of the Council. The regulations identify the financial responsibilities of officers and Councillors and where these responsibilities are delegated, a written record should be maintained of the delegation to whom and any limits that apply.

All Councillors and officers 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 for Council purposes only, is legal, is properly authorised and provides value for money.

The Chief Finance Officer is responsible for:

- Maintaining a continuous review of the Financial and Budget Procedure Rules and submitting any additions or changes necessary to the Full Council for approval.
- Reporting, where appropriate, breaches of the Financial and Budget Procedure Rules to the Full Council and/or to the Cabinet Members.
- Issuing advice and guidance to underpin the Financial and Budget Procedure Rules which Councillors, officers and others acting on behalf of the Council are required to follow.

NB. Additional responsibilities of the Chief Finance Officer are set out in the Responsibility for Functions Section of this Constitution.

Heads of Service are responsible for ensuring that all officers in their teams are aware of the existence and content of the authority’s Financial and Budget Procedure Rules and other internal regulatory documents and that they comply with them.

Service Managers and other officers designated as having responsibility for a budget are referred to as a Budget Manager in this document. Heads of Service have a responsibility to allocate a Budget Manager for all expenditure and income within their service area. Budget Managers are responsible for monitoring and managing expenditure and income within their budgets to ensure that they achieve the best use of resources (both financial and non-financial) in order to demonstrate value for money services whilst complying with the authority’s Financial and Budget Procedure Rules and other internal regulatory documents.

2. Financial planning and budget setting procedures

The Cabinet is responsible for proposing the Budget to the Full Council.

The Full Council is responsible for setting the capital and revenue budgets annually prior to the start of the financial year for the current and future financial years, including allocation to services, and reserves and contingencies for the forthcoming financial year, the budget requirement and basic amounts of tax.

Once the Budget is in place, it will be the responsibility of the Cabinet to implement it. The Process for this is detailed in Section 3 (Financial Management/Budget Monitoring) of these Rules.

Process for Developing the Budget

The Chief Finance Officer will report to the Cabinet on the Budget Strategy, including the Medium-Term Financial Strategy.

Heads of Service will prepare budgets, in consultation with their Budget Managers, which:

- Reflect the Council's priorities in respect of service development.
- Consider alternative service delivery options to ensure that the service achieves the most effective use of both financial and non-financial resources.
- Identify potential savings for the budget areas.
- Include business cases for any proposed increased levels of spending.
- In doing so, ensure that every budget is administered by the most appropriate Budget Manager and aligns budget responsibility as closely as possible to the decision making that influences the expenditure/income concerned.

Heads of Service will consult with Cabinet Members on all significant budget proposals and, where other service areas are likely to be impacted, with the relevant Directors.

The Portfolio holder for Resources with the Chief Finance Officer will present the Budget Report to the Performance and Finance Panel prior to its consideration by the Cabinet.

The Chief Finance Officer will advise the Cabinet on appropriate levels of reserves to be held for budget purposes having regard to any policies agreed by the Council and making decisions on the establishment of new reserves.

The Cabinet will subsequently make recommendations to the Full Council on:

- The proposed General Fund Budget for the subsequent year, including savings and growth.

- The proposed Capital Programme and funding for future years. The Council's proposed share of Council Tax for the subsequent year.
- The proposed Pay Policy Statement for the subsequent year.

Process for Approving the Budget

The Full Council will consider the Cabinet's recommendations on the Final Budget and on the level of Council Tax before 11 March each year (at its February meeting).

- a) If the Full Council has objections to the Cabinet's proposals referred to above, whether or not it has any intention of making any modifications, it must, before making any decision, inform the Leader of those objections and give them instructions requiring the Cabinet to reconsider the proposals in the light of those objections.
- b) When giving such instructions, the Full Council must specify a period of at least five working days beginning on the day after the date on which the Leader receives the instructions during which the Leader may:
 - Submit revised proposals, as amended by the Cabinet, with the Cabinet's reasons for the amendments for consideration by the Full Council.
 - Inform the Full Council of any disagreement that the Cabinet has with any of the Full Council's objections and the Cabinet's reasons for any such disagreement.
- c) On the expiration of the period specified by the Full Council, the Full Council must take into consideration any response received from the Cabinet within that period, when making a decision.
- d) The decision will be made on the basis of a simple majority of votes cast at the Full Council meeting. In accordance with statute these votes must be recorded.
- e) The conflict resolution procedure identified in Paragraphs (a) to (c) above will not apply to the proposals for the setting of the Council Tax in relation to the following financial year, where the Cabinet submits such proposals to the Full Council for consideration after 7 February in any financial year.
- f) In approving the Budget, the Full Council will also specify the extent of transfers within the Budget (virements) which may be undertaken by the Cabinet, in accordance with these Rules.

3. Financial management/budget monitoring

Budget Managers are responsible for:

- Following an approved process for all expenditure.

- Ensuring all income and expenditure is properly recorded and accounted for.
- Monitoring performance levels/levels of service in conjunction with the Budget and taking necessary action to align services, outputs and budgets.

Heads of Service are responsible for:

- Securing value for money in all financial transactions, ensuring that they and their officers comply with these Financial Regulations and any associated guidance.
- Ensuring that levels of expenditure and associated performance for their services are properly monitored and controlled throughout the year, with realistic forecasts of income and expenditure prepared and submitted to the Chief Finance Officer.
- Ensuring that their services are managed within the approved budget and appropriate corrective action is taken where significant variations from the approved budget are forecast.
- All income and expenditure under their control.

The Chief Finance Officer is responsible for:

- Providing appropriate financial information to enable budgets to be monitored effectively.
- Reporting to the Cabinet on the overall Council budget monitoring position on a quarterly basis.
- Report on the Council's reserves presented annually to the Cabinet as part of the Financial Outturn Report.

Supplementary Estimates

The Chief Finance Officer can approve:

- One-off redundancy and early retirement costs arising from any staffing restructure or other circumstances up to the limit in the Council's Financial Approval Levels subject to the restructure delivering value for money. This will be interpreted as providing a payback within three years.
- Changes to the cost and phasing of individual schemes within the overall capital programme budget in consultation with the Portfolio holder for Resources.

The Chief Executive can approve supplementary estimates up to the limits specified in the Council's Financial Approval Levels.

The Cabinet can approve supplementary estimates up to the limits specified in the Council's Financial Approval Levels.

All supplementary estimates will be reported to the Cabinet in budget monitoring or other financial reporting.

Calling-In of a Decision Contrary to the Budget

If the Overview and Scrutiny Committee is of the opinion that a decision was taken which was contrary to (or not wholly in accordance with) the Budget (as approved by Full Council), the decision may be Called-In and will follow the process set out in the Call-In Procedures in this Constitution.

Urgent Decision Outside the Budget

An urgent decision which is contrary to or not wholly in accordance with the Budget may only be taken by the Leader/Cabinet in consultation with the Chief Finance Officer and the Chief Executive if:

- It is not practical to convene a quorate meeting of the Full Council.
- The Chair of the Overview and Scrutiny Committee, or in their absence the Mayor (or in the absence of both of them, the Deputy Mayor), has agreed that the decision is urgent and cannot be reasonably deferred.
- The Leader submits a report to the next ordinary meeting of the Full Council. This report will detail the decision made, the reason for urgency and confirmation of the Overview and Scrutiny Committee's consent.

4. Financial systems and procedures

The Chief Finance Officer is responsible for issuing financial instructions to Heads of Service which must be complied with in respect of controlling income and expenditure.

The Cabinet, having regard to the advice of the relevant Head of Service and the Chief Finance Officer, is responsible for determining discretionary charges for Council services.

Heads of Service are responsible for ensuring that:

- All income due to the Council is identified and charged in a timely manner and is correct.
- All charges for Council services are reviewed in conjunction with the Chief Finance Officer at least once a year having regard to their appropriateness in relation to the Council's approved charging and other relevant Council policies, and approved by the Cabinet or as appropriate, if this matter is so delegated.

- Effective recovery processes are in place for all income streams and compliance with the Council's corporate debt management policy.
- All money received by an officer, contractor or agent on behalf of the Council is paid without delay to the Council's bank account, properly recorded and reconciled to the bank account by a person who is not involved in the collection or banking process.
- Formal approval for debt write-off is obtained from the Chief Finance Officer or relevant delegated officer without delay.
- A Scheme of Management is operated effectively within the area identifying officers authorised to act on the Head of Services behalf in respect of placing orders, payments, income collection and preparation of write offs for submission to the Chief Finance Officer, together with the limits of their authority.
- Value Added Tax and other forms of relevant taxation (e.g. under the Construction Industry Scheme) are properly accounted for within stipulated timescales and any implications of any proposed income or expenditure are properly considered prior to the transaction taking place.
- The systems and procedures to be adopted in relation to financial aspects of contracts for constructions and alterations to buildings for civil engineering works are documented and agreed with the Chief Finance Officer.

5. Treasury management (investments and borrowing)

The Council has adopted the key recommendations of CIPFA's Treasury Management in the Public Service Code of Practice (Code). Accordingly, the Full Council is responsible for approving a Treasury Management Policy Statement, on an annual basis, stating the policies and objectives of its treasury management activities, including, the annual strategy and plan in advance of the year, a mid-year review and an annual report after its close, in the form prescribed in its Treasury Management Practices (TMPs).

The Council will create and maintain, as the cornerstones for effective treasury management:

- A Treasury Management Policy Statement, stating the policies, objectives and approach to risk management of its treasury management activities.
- Suitable TMPs, setting out the manner in which the Council will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.

The content of the policy statement and TMPs will follow the recommendations contained in Sections 6 and 7 of the Code, subject only to amendment where

necessary to reflect the particular circumstances of the Council. Such amendments will not result in the Council materially deviating from the Code's key principles.

The Full Council will receive reports on its treasury management policies, practices and activities, including, as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close, in the form prescribed in its TMPs.

The Full Council delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to the Cabinet, and for the execution and administration of treasury management decisions to the Chief Finance Officer, who will act in accordance with the Council's policy statement and TMPs and, if they are a CIPFA member, CIPFA's Standard of Professional Practice on Treasury Management.

The Council nominates the Audit and Standards Committee to be responsible for ensuring effective scrutiny of the treasury management function.

Banking

All arrangements concerning banking services will be made solely upon direction of the Chief Finance Officer. This includes the opening, closing and operation of the Council's bank accounts, purchasing cards and the arrangements for retaining cash on Council premises.

6. Control of assets

Heads of Service, having regard to advice and instructions from the Chief Finance Officer and any other relevant professional advisors employed by the Council, are responsible for ensuring that:

- Resources are used only for the purposes of the Council and are properly accounted for, including the maintenance of proper inventories.
- Resources are available for use when required.
- Resources no longer required are disposed of in accordance with the law and the procedures issued by the Chief Finance Officer.
- All officers are aware of their responsibilities with regard to safeguarding the Council's assets and information, including any legal requirements in relation to data protection and software copyright.
- All officers are aware of their responsibilities with regard to safeguarding the security of the Council's computer systems, including maintaining restricted access to the information held on them and compliance with the Council's computer and internet security policies.
- Contingency plans for the security of assets and continuity of service in the event of disaster or system failure are in place.

Assets must be disposed of at the most appropriate time, only when it is in the best interests of the Council, at the best price reasonably and efficiently obtainable and in accordance with the limits in the Council's Financial Approval Levels.

7. Risk management and audit (including fraud)

Risk Management and Insurance

The Head of Legal and Governance is responsible for producing the Council's strategic risks annually to be presented to Cabinet.

Heads of Service are responsible for:

- Implementing and complying with the Council's risk management policy, having regard to associated advice and instructions from the Head of Legal and Governance and other specialist officers (e.g. health and safety, crime prevention and finance).
- Embedding risk management within the operation of all of their services.
- Maintaining and testing business continuity plans.

The Head of Legal and Governance is responsible for all insurance matters including the review of the approach to risk management, determining the nature and level of insurance cover to be arranged and the processing and settlement of all claims.

Heads of Service are responsible for notifying the Head of Legal and Governance of any:

- New risk, property, equipment or vehicle which may require insurance.
- Alterations to services or other arrangements which may affect insurance arrangements.
- Loss, damage or claim.

Heads of Service are responsible for ensuring that those acting on behalf of the Council are instructed not to make any admission of liability or offer of compensation that might prejudice the assessment of a potential liability of the Council or of its insurers.

Internal Controls

The Head of Legal and Governance is responsible for the production of the Annual Governance Statement and for ensuring that an effective system of internal control exists, advising and instructing Heads of Service accordingly. The Annual Governance Statement and the system of internal control will be designed to guard against fraud and corruption and to ensure that public funds are properly safeguarded and used economically, efficiently and effectively.

Heads of Service are responsible for ensuring that internal controls within their service areas are adequate and operating as intended and for the timely implementation of all agreed recommendations in audit reports.

Audit Requirements

The Head of Legal and Governance is responsible for providing the internal audit of the Council's systems and processes, ensuring it is sufficient in its coverage and independent in its planning and operation.

The Head of Legal and Governance is responsible for ensuring that the individual responsible for the Council's audit function has direct access to the Chief Executive, Chief Finance Officer all levels of management, and Chairs of Committees, as appropriate.

The Chief Finance Officer shall ensure that the statutory requirements for external audit are complied with in order that the external auditor is able to effectively scrutinise the Council's records. Heads of Service shall ensure reasonable access by them to the Council's premises and records relevant to the audit.

Heads of Service are responsible for ensuring that the Head of Legal and Governance and the Chief Finance Officer are both immediately notified of any suspected irregularity relating to both private and Council funds, including cash, payment cards, any Council financial system, stores or other property, and any financial transaction or arrangement, or any material weakness which has been identified in any system or control.

Preventing Fraud and Corruption

All Councillors and officers of the Council are personally responsible for ensuring integrity in the conduct of the Council's business. The Head of Legal and Governance is responsible for developing and maintaining an anti-fraud and corruption strategy, which will incorporate advice to all officers and Councillors on the controls necessary to maintain control of public funds and assets used by the Council in the daily management of its services, including appropriate arrangements for the treatment and registration of relevant interests, gifts and hospitality.

Heads of Service shall foster a culture of honesty and not tolerating fraud or corruption within the Council and are responsible for notifying the Head of Legal and Governance immediately of any suspected fraud, theft, irregularity or improper use of Council property, assets, resources or services.

Where financial impropriety is discovered, and sufficient evidence exists to believe that a criminal offence has been committed, the Head of Legal and Governance shall take the appropriate legal action.

8. Procurement

The Council's Contract Standing Orders sets out the processes and rules to be followed when procuring all the Council's goods, works and services.

9. External arrangements

External Funding

- I.1. The Chief Finance Officer is responsible for ensuring that all funding due from external bodies is received and properly accounted for.
- I.2. Heads of Service are responsible for:
 - Ensuring that any external funding/grant supports the Council's service priorities.
 - Ensuring that the Chief Finance Officer is notified in a timely manner of all grants being made to the Council.
 - Maintaining a copy of the terms and conditions of all such grants and ensuring compliance with them.
 - Ensuring, in conjunction with the Chief Finance Officer, that any matched funding requirements can be met from within existing budgets before accepting any grants.
 - Ensuring that time limited funding is spent in advance of the end date and that no financial commitments remain with the Council, unless previously agreed by the Cabinet, after the external funding/grant ceases.
 - Ensuring that, where funding is withdrawn, the related service and any associated expenditure should cease.

Alternative Service Delivery Models

- I.3. A number of alternative service delivery models may be adopted to deliver the Council's services, (e.g. shared services, local authority companies, trusts, etc) including those functions discharged under Section 101 of the local Government Act 1972 and relevant Executive Functions Regulations. The Chief Finance Officer shall ensure that the accounting arrangements adopted in relation to these delivery models are subject to control procedures which reflect those of the Council.
- I.4. Heads of Service must consult the Chief Finance Officer at an early stage of any proposals relating to alternative delivery models in order to ensure that the financial impact of the proposals, including VAT and pensions, etc., is understood.

10. Financial approval levels

	Redundancies / early retirement	Supplementary Estimate: Revenue	Supplementary Estimate: Capital	Purchase land/property	Asset Disposal	Sale of land
Chief Executive		Up to £100,000 per request, up to maximum of £500,000 per annum	Up to £100,000 per request, up to maximum of £500,000 per annum			
Strategic Directors					£100,000	£100,000
Chief Finance Officer	£500,000 (except for Chief Officers)				£100,000 - £250,000	£100,000 - £250,000
Head of Housing				<i>For housing delivery: Within the limits of the approved budget.</i>		
Relevant Cabinet member					£250,000 - £500,000	£250,000 - £500,000
Cabinet		Up to £100,000 per request, up to maximum of £500,000 per annum	Up to £500,000			Over £500,000
Full Council	Over £500,000 and Chief Officers	Over £100,000	Over £500,000	?		