

FINANCIAL PROCEDURE RULE 3: BUDGET MANAGEMENT (REVENUE AND CAPITAL)

- 3.1** Heads of Service are the accountable officers for budgets for the delivery of the services in the Division for which they have responsibility. Heads of Service are authorised to incur expenditure and generate income in accordance with the budget approved by Council, as amended by any virement made under Financial Procedure Rule 4, or any supplementary budgets approved under Financial Procedure Rule 5 by the Cabinet and/or Council as appropriate. It is the responsibility of the Head of Service to consult with the Chief Finance Officer and seek advice on further action to be taken before any commitments are incurred, where these are not covered by the Council's approved budget.
- 3.2** Heads of Service will ensure that all income and expenditure is accounted for against the budget head to which it relates, irrespective of where budget has been allocated. Where necessary, Heads of Service should request a budget virement (FPR4).
- 3.3** Heads of Service are accountable for monitoring and controlling both revenue and capital, income and expenditure against budget heads as approved in the Budget. Variances in excess of £50k should be reported with an explanation to the Chief Finance Officer
- 3.4** The Chief Finance Officer is responsible for the adequacy and effectiveness of budgetary control arrangements across the Council, ensuring appropriate systems are in place to provide timely and sufficiently detailed reports to Managers to fulfil their budget monitoring responsibilities. Directors and Heads of Services are responsible for ensuring that the budgets for which they are responsible are monitored and reported on to the Chief Finance Officer in accordance with the agreed budgetary control arrangements. The Chief Finance Officer will report to the Cabinet on the Council's overall position on a regular basis.
- 3.5** Heads of Service should ensure that each budget head, and below that, each cost centre, has a single named manager, who will be responsible for monitoring and investigating variances (positive and negative) against budget and bringing these to the attention of the Head of Service and the relevant Finance Manager or Accountant for action as required.

3.6 Heads of Service should take action as necessary to avoid exceeding their budget allocation for the particular service area thus operating within their available resources, and ensure that Managers and all staff understand their financial responsibilities.

3.7 Heads of Service should prepare budget action plans where a significant overspend is forecast. The action plan should identify how expenditure will be brought back into line with budget, either by taking corrective action, or, through the proposed use compensating savings elsewhere in their budget. Heads of Service should also report areas of forecast under spend, along with the implications for future years, for corporate consideration of where any available resources should be re-allocated. The use of budget savings other than in accordance with the approved budget is not permitted without Cabinet approval.

All significant variations from budget will be reported to the Chief Finance Officer, who will report the position and any budget action plans in the overall budget monitoring report to Cabinet. In certain circumstances it may be that the significance of the variance requires a separate report to Cabinet for consideration or approval. The report will outline the reasons for the projected variance, the implications for future years' budgets, along with the budget action plan to bring expenditure in line with budget.

Budget action plans will be monitored by the relevant Head of Service who will notify the Chief Finance Officer should it emerge that a budget action plan will fail to prevent an overspend. The Chief Finance Officer will report the position to Cabinet.

3.8 In exceptional cases, Head of Services will submit reports to the Cabinet and to the Council, in consultation with Chief Finance Officer, where a Head of Service is unable to balance expenditure and resources within existing approved budgets under his or her control, requesting a supplementary budget allocation for the current financial year only. Financial Procedure Rule 5 provides further details.

3.9 Nothing in the Financial Procedure Rules shall prevent expenditure being incurred which is essential to meet any immediate needs arising from an emergency, including any expenditure under Section 155 of the Local Government and Housing Act 1989 (Emergency Financial Assistance Scheme, formerly known as the "Belwin" scheme). Such action shall only be taken after consultation with the Chief Finance Officer, and any such expenditure must be reported retrospectively to the Cabinet, and the funding for such expenditure must be agreed as soon as possible.

RULES RELATING TO CAPITAL

- 3.10** The Chief Finance Officer is responsible for the monitoring of the Capital Programme, in conjunction with the Director of Environment. A report updated on a quarterly basis will be submitted to Cabinet, identifying changes in capital resources, including the generation of capital receipts and the effect of rollover together with quantifying contractually uncommitted values by scheme.
- 3.11** Whole schemes, or distinct parts thereof, which are identified as slipping into the following financial year, shall be included in the Capital Programme assessments for the later year.
- 3.12** The approved Capital Programme will include information on grant funded schemes, as estimated.

