

WEST DUNBARTONSHIRE COUNCIL

Corporate Services – Finance & Resources

FINANCIAL MANAGEMENT AND CONTROL CODE OF PRACTICE

September 2011



**WEST
DUNBARTONSHIRE
COUNCIL**

Contents

<u>Sections</u>	Page Number
1. Introduction	3
2. Roles and Responsibilities	4 - 10
3. Budgets	11 - 15
4. Trading Operations	16 - 20

Appendices

- A Roles and responsibilities of Finance Officers
- B Financial Regulations
- C Standing Orders
- D Contingency Fund Policy
- E Reference Documents for Finance Officers

Section 1 : Introduction

- 1.1 West Dunbartonshire Council is committed to the provision of high quality, best value services. Good management of financial resources is essential to help meet that commitment. This Code of Practice sets out the policies and methods that underpin the Council's approach to financial management.
- 1.2 Financial management is provided to the Council, its committees and departments through a centralised resource, provided by Corporate Finance Service and covers corporate and service accounting, together with financial management support and advice to departmental directorates, conveners and front line service budget holders.
- 1.3 Corporate Finance staff work closely with staff in service departments to ensure a comprehensive and co-ordinated approach to the management of financial resources. The Code ensures the effectiveness of financial management and control and the continued development of best practice.
- 1.4 The Code provides reference material for all officers and Councillors on financial management, but it is aimed primarily at budget holders and finance officers. It will be regularly reviewed to ensure that it stays current and relevant. Feedback on the operation of the Code would be welcome and should be sent to the Section 95 Officer. Any queries about the interpretation of the guidance should be raised with appropriate departmental Finance Business Partners.

Section 2 : Roles and Responsibilities

2.1 This section describes the roles and responsibilities of Councillors and officers in relation to financial management.

Councillors

2.2 Councillors have a personal, individual and collective responsibility for the Council's organisation and activities. The Councillors' Code of Conduct states that Councillors must ensure that the Council uses its resources prudently and in accordance with the law. Also, the Council has a legal duty to secure best value under the Local Government Scotland Act 2003.

2.3 This means that Councillors are responsible for:

- ensuring that adequate management arrangements and controls are in place;
- taking decisions on the use of the Council's physical, financial and human resources; and
- the performance, development, continuity and overall well being of the organisation.

2.4 Looking specifically at financial management, Councillors play a key role in setting the budget and in monitoring performance against that budget. Councillors are required to set a balanced budget and council tax by 11 March each calendar year, for the following financial year. During the year, Councillors will monitor expenditure and ensure that accounts are produced by 30 June following the year end.

2.5 The Council operates through a committee structure and service committees receive and monitor the financial performance of their service areas throughout the year. However, the full Council is responsible for maintaining an overview of the whole organisation's financial position. Service committees do not have the power to vary budgets or to make decisions which cannot be funded through approved budgets. They can make recommendations to full Council for income or expenditure outwith approved budgets.

2.6 The Audit & Performance Review Committee has a key role in ensuring good financial management. This committee:

- approves Internal Audit's annual plan;
- receives a quarterly update from Internal Audit on performance against the plan;
- receives extracts from External Audit reports;
- monitors performance against audit action plans; and
- has the power to question officers and service conveners on audit and performance (including financial performance) matters.

2.7 In practice, Councillors work closely with senior officers to discharge their responsibilities for financial management. The Chief Executive is responsible for ensuring that Councillors have sufficient information and advice to allow them to carry out their duties. The Section 95 Officer, as the officer with particular responsibility for financial administration, has a particularly important role to play to ensure that Councillors receive proper financial advice. This can be done directly or through the appropriate officers within the Finance Service. The following paragraphs consider the specific responsibilities of officers in more detail.

Strategic Finance Working Group

2.8 The membership of the Strategic Finance Working Group is made up of 3 Administration Councillors, 3 opposition Councillors and 1 independent Councillor. The group is also attended by the Corporate Management Team, the Section 95 Officer (and the Head of Finance and Resources, if not the Section 95 Officer). The group meets on a regular basis with the main aim of reviewing and developing the short, medium and longer term strategic financial position of the Council. Although the group has no decision making powers, it gives direction for policies and procedures to be developed for onward recommendation to Council.

Chief Executive (through the Internal Audit Function)

2.9 Through his/her direct responsibility for Internal Audit, the Chief Executive will:

- advise on anti-fraud and anti-corruption measures through an effective internal audit function;
- monitor internal and external audit outputs and ensure that action plans are followed up; and
- review internal financial controls annually and sign a statement to that effect.

The Corporate Management Team

2.10 The Corporate Management Team (CMT), which comprises the Chief Executive and four Directors, plays a critical role in ensuring good financial management. The Chief Executive, as Head of Paid Service, has authority over all officers and is responsible for the day to day running of the Council. This means that the Chief Executive is responsible for ensuring that:

- financial management policies, systems, procedures and controls exist and are used;
- weaknesses in the systems of financial control are identified and remedied;
- a performance management system is in place which secures continuous improvement in financial management; and
- appropriate and timely advice and information is provided to Councillors to allow them to fulfil their responsibilities.

- 2.11 In practice, the Chief Executive relies on the co-operation and support of all Directors to discharge these responsibilities. Operational responsibility for departments is delegated to the Directors and the responsibility for establishing the appropriate financial reporting framework is delegated to the Section 95 Officer through the appropriate Finance Services Officers. This means that the Chief Executive relies on Directors to inform him/her about the up to date position of their departments. Consequently, Directors should formally report any material problems in their departments which could have a financial impact to the Chief Executive and the Section 95 Officer as soon as the issue is known.
- 2.12 On a periodic basis, a summary of the financial position of each department should be reported to the Chief Executive. Budget monitoring statements will be included on the agenda of the CMT in order to monitor the financial position of the whole organisation throughout the year.
- 2.13 The CMT will collectively produce draft revenue and capital budgets for consideration by Councillors.

The Section 95 Officer

- 2.14 Section 95 of the Local Government (Scotland) Act 1973 states that every local authority shall make arrangements for the proper administration of its financial affairs and shall ensure that one of its officers has responsibility for the administration of these affairs. This primary legislation is supplemented by Scottish Executive Regulations and CIPFA guidance. In West Dunbartonshire Council, the Section 95 Officer will be appointed at an appropriate grade and the officer identified will be made known to all Members and employees of the Council. The following paragraphs describe the role of the Section 95 Officer. Although these responsibilities and roles ultimately lie with the identified post holder, many of the functionalities will be delegated to the Finance Services Officers for daily management.
- 2.15 The Chartered Institute of Public Finance and Accountancy (CIPFA) describes five key roles for the Section 95 Officer:
- maintaining strong financial management underpinned by effective financial controls;
 - supporting and advising democratically elected representatives;
 - contributing to corporate management and leadership;
 - supporting and advising officers in their operational roles; and
 - leading and managing an effective and responsive financial service.

Financial Management and Controls

- 2.16 As the head of strategic and operational financial management and administration, it is the responsibility of the Section 95 Officer to:
- ensure that a proper and prudential financial framework exists within the Council consistent with relevant legislation and codes of practice;
 - put in place effective systems of financial administration; and
 - ensure that financial management arrangements are in line with strategic policies and objectives and the Council's overall management arrangements through, amongst other items, the Council's financial strategy.
- 2.17 Financial administration is centralised within West Dunbartonshire Council. This means that although Directors are responsible for the proper management of the financial resources under their control, the Section 95 Officer is responsible for ensuring that staff are appropriately aware of the Council's financial management policies and procedures, particularly the financial regulations (appendix B) and standing orders (appendix C).
- 2.18 The Section 95 Officer will:
- advise on effective systems of internal control such as financial regulations;
 - put in place budgeting, accounting and reporting systems;
 - put in place effective systems of internal financial control to ensure that income collected and payments made are accurate, complete and timely;
 - produce statutory financial accounts for the Council; and
 - ensure that all staff with financial management responsibilities are made aware of the existence of the "Financial Management and Control Code of Practice", "Financial Regulations" and any other relevant documentation.

Supporting and Advising Councillors

- 2.19 To support and advise the democratic process, the Section 95 Officer will:
- advise on the respective roles of Councillors and officers in relation to financial management;
 - advise Councillors on the overall financial strategy which serves policy and service objectives;
 - provide Councillors with clear, accurate and impartial advice when considering service plans and budgets;
 - provide timely, accurate and impartial advice on reported financial performance, including reporting any concerns on the stated financial position and the reliability of financial systems; and
 - ensure that Councillors have adequate access to financial skills and are provided with an appropriate level of financial training on an ongoing basis.

Contributing to Corporate Management and Leadership

- 2.20 The Section 95 Officer has an essential part to play in the corporate management of the authority by:
- assisting the Chief Executive and the Corporate Management Team in balancing service needs with council policies and effective financial management;
 - contributing to the management of the authority through the establishment of robust financial management framework; and
 - maintaining a corporate overview of the Council's financial performance.

Supporting and Advising Service Department Officers

- 2.21 The Section 95 Officer will:
- ensure that the Council's financial strategy will serve policy and service objectives, advising departments on all strategic and operational financial matters and on the availability of resources;
 - advise officers on performance and standards to be adhered to in relation to financial matters;
 - ensure that officers' roles and responsibilities are clear and understood and that budget managers have access to adequate financial skills; and
 - provide timely, accurate and impartial advice to the Chief Executive on any concerns about the financial position or reliability of financial systems.

Leading and Managing an Effective and Responsive Financial Service

- 2.22 In leading and managing the authority's finance function, the Section 95 Officer will:
- secure high standards of performance and service to internal and external customers;
 - demonstrate accountability by providing financial and performance information;
 - establish a good, professional working relationship with external auditors and other statutory agencies; and
 - act as head of profession for all finance staff in the authority.

Directors

2.23 Previous paragraphs have made reference to the responsibilities of Directors. The following paragraphs provide more detail about the crucial role they play in ensuring good financial management. It is the responsibility of every Director to:

- be aware and up to date with the Council's Financial Strategy;
- ensure adherence to the Financial Management and Control Code of Practice including standing orders, financial regulations and any other relevant legislative or Council requirements;
- ensure that any development and maintenance of departmental financial management systems are compatible with corporate financial systems;
- manage the expenditure and income of his or her department and ensure its control within approved budgets, seeking virement approval where required via Section 95 Officer;
- report regularly on financial performance to the relevant committee and keep the convener apprised of financial matters;
- consult the Section 95 Officer through appropriate officer of the Finance Service on any financial reports or the financial aspects of any reports which go to service committees or the Council;
- prepare draft budget and service plan submissions, in conjunction with the Chief Executive and the Section 95 Officer;
- provide data necessary to enable the completion of budgets, monitoring reports, annual accounts and all Government or other returns, following guidance issued by the Section 95 Officer;
- formally report any material financial problems identified within the service to the Section 95 Officer, and if appropriate the Chief Executive, who can instruct appropriate action and report if required; and
- ensure that full co-operation is given to Internal and External Audit and that the actions resulting from audits are completed on time.

2.24 In practice, duties will be delegated to operational managers within the organisation, the extent of which should be covered by a framework of job descriptions clearly defining individual responsibilities.

Head of Finance and Resources

2.25 The Head of Finance and Resources will ensure that the operational role (in respect of Finance, ICT and procurement services to others) of the Executive Director of Corporate Services is carried out efficiently and effectively.

Finance Officers

Functional Roles and Responsibilities

- 2.26 The role and responsibilities of finance officers are given in Appendix A. for the purposes of this document, the term *Finance Officers* includes Finance Manager and Business Partners (and incorporating Finance Business Unit staff, where appropriate).
- 2.27 In monitoring expenditure and income at committee level, the role of finance officers is to appraise, evaluate and prepare all necessary statements and reach agreement with the service budget holders and executive directors on the reported financial position. These arrangements require the retention of expertise on individual services within Finance Services. The Accounting & Budgeting team will be structured to suit departmental responsibilities so that each department has a single main point of contact (Business Partners) for normal financial matters.

Line Responsibilities/Accountabilities

- 2.28 All finance staff are responsible to the Section 95 Officer for maintaining professional accounting standards and for the highest standards of conduct and integrity.
- 2.29 Any Director has the power to draw to the attention of the Section 95 Officer where it is considered that any member of staff in Financial Services has not met the required standards.

Staffing Arrangements

- 2.30 In terms of financial staff, the following conditions apply:
- the Finance Manager should be appointed at an appropriate level of seniority and be a CCAB qualified accountant;
 - the senior finance officer (Business Partner) dealing with service departments should be appointed at an appropriate level of seniority and attend the service department's management team;
 - the senior finance officer appointed to be responsible in each service department should be a CCAB qualified accountant; and
 - no financial staff should be established within a service department.

Section 3 : Budgets

Budget Preparation

- 3.1 This section sets out the policy framework for the preparation and monitoring of both revenue and capital budgets.
- 3.2 In conjunction with the Section 95 Officer , Directors will prepare, on an annual basis, a draft budget and service plan that will identify all service and financial implications of meeting the Council's priorities and targets over the planning time frame. The Administration will determine the format of the budget and service plan. The Chief Executive and the Section 95 Officer will provide departments with detailed guidance on the completion of the budget and service plan.
- 3.3 Departments will provide any financial information required by the Council in relation to their service plan or any other matters deemed relevant by the Council.
- 3.4 The Section 95 Officer will ensure that the Council budget is set in accordance with all statutory requirements in respect of the production of a balanced budget, the setting of local taxation and rent levels, and the Council's prudential reserves policy.

Audit Trail and Supporting Documentation

- 3.5 In the first instance, all departmental revenue budgets will be based on the approved budget of the previous year. For revenue budgets, the Section 95 Officer shall maintain a full audit trail, providing analysis of budget movements from one year to the next. This audit trail will include an analysis of all adjustments including, growth, savings, inflation, resource redirections and budget pressures.
- 3.6 The Section 95 Officer will identify any pilot areas for development and review with regards alternative revenue budget build up (e.g. zero based budgeting).
- 3.7 Departments shall make available appropriate back-up to exemplify and support the value of budget movements.
- 3.8 The Section 95 Officer will maintain lists of all budget options.
- 3.9 All departmental capital budgets will be based, in the first instance, on identified ringfenced and committed (slippage and planned) expenditure, with departmental bids being considered for the remaining resources.
- 3.10 Option appraisal techniques shall be used, where appropriate, in support of departmental capital bids. Following Council guidance, departments will provide option appraisal reports in support of bids greater than £100,000.

- 3.11 For capital budgets, the Section 95 Officer shall maintain a full audit trail, providing for all departmental committed and uncommitted projects, detail of all relevant resource funding and all departmental correspondence necessary to result in the final capital plan.

Devolved Budgets

- 3.12 In order to discharge the management of expenditure and income effectively and ensure its control within approved budgets, Directors shall align financial accountability and responsibility with that of operations. Budgets shall be devolved to a level that accords with managerial decision making.
- 3.13 Where budgets are decentralised, the basis for decentralisation must be clearly defined and understood by all relevant managers, and the level of financial accountability be clearly stated.

Budget Profiling

- 3.14 The Section 95 Officer will provide a core suite of standard profiles for the phasing of budgets. In discussion with departments, Finance Officers are responsible for agreement of appropriate profiling of budgets and should, in conjunction with budget holders, develop and apply non-standard profiles where appropriate. Finance Officers will also ensure that budgets are profiled in a meaningful manner reflecting pay cycles, demand patterns and prior years' trends as appropriate.
- 3.15 Budget profiles may be updated during the course of the financial year, with the agreement of the Section 95 Officer through appropriate officers within the Finance Service, in order to reflect material variations in anticipated spend patterns.

Format and Content of Reports

- 3.16 Monitoring statements will be produced in line with the timetable issued by the Section 95 Officer to meet the committee reporting cycle.
- 3.17 Council monitoring statements will be produced in respect of General Services revenue budget, General Services capital budget, Housing Revenue Account revenue budget, the Housing Revenue Account capital budget and the statutory trading accounts. All statements will be reported by the Executive Director of Corporate Services.
- 3.18 Council monitoring statements will be considered by the Corporate Management Team prior to being issued to Council.
- 3.19 Committee monitoring statements will be reported by the relevant Director. They will be considered by service management teams prior to being issued to Committee and agreed with the Section 95 Officer through appropriate officers within the Finance Service.

- 3.20 Monitoring reports shall be produced at levels appropriate to the recipient. Council monitoring statements, at the highest level, shall report division of service. More detailed cost centre and subjective analysis shall be produced for use within services.
- 3.21 Monitoring statements will reflect the format agreed by Council and shall report annual and profiled budget and any approved variations during the year, actual to date and variances. From period 8 in each financial year, statements will report actual against the profiled probable outturns. All movements to total division of service or subjective summary budgets shall be reported. Significant variances (greater than £25k) shall be reported and explained, along with information regarding action to be taken to resolve overspend positions.

Audit Trail

- 3.22 All monitoring reports will be based on information contained in the Council's corporate ledger system. Working papers, detailing the reason and value of adjustments to the base monitoring information will be maintained, with a full reconciliation between ledger and reported positions.

Adjustments

- 3.23 Monitoring statements shall reflect a true and fair view. Appropriate adjustments shall be made in order to:
- eliminate errors in base information;
 - accrue known commitments in relation to the profile;
 - account for the matching of income and expenditure related to trading accounts; and
 - account for known changes to the anticipated spend pattern.

Professional judgement shall be exercised in the compilation of such adjustments and appropriate supporting evidence shall be maintained.

- 3.24 Monitoring reports to internal budget holders shall be in a format that reports the base financial position prior to any adjustments. The financial impact of any adjustments may be reported as part of the variance explanation or as an adjustment to the base information in arriving at the 'real' variance for explanation.

Explanation of Variances

- 3.25 Monitoring statements shall highlight reasons for variances, management action being taken and the projected level of outturn variance. Budgetary monitoring reports shall also assign responsibility for management action and indicative timescales. Variances will be reviewed each period and the progress of management action considered.

Materiality

- 3.26 Material variances should be reported. It is difficult to define materiality because it will vary according to:
- reporting levels (i.e. a higher materiality level would be expected for Council reports compared to departmental reports);
 - scale of budget;
 - degree of budget decentralisation;
 - political sensitivity; and
 - impact on service delivery and performance.

For guidance, decentralised materiality thresholds should be £0.025m, or if defined by a Director as being material. The Section 95 Officer will advise on materiality for reports to Councillors.

Authentication

- 3.27 Internal monitoring reports prepared by Finance Officers shall be agreed with budget holders and service management, through regular meetings and discussions. Service areas shall establish internal reporting mechanisms and procedures to address disputes on issues of financial management and control.
- 3.28 Associated budgets, e.g. trading operation recharge income and related client service expenditure, shall be subject to liaison and agreement at budget preparation, phasing, and update stages. In the event of failure to resolve disputes at service level, the matter shall be referred to the Section 95 Officer.

Provision of Financial Information

- 3.29 Financial reports shall be provided to budget holders in accordance with the financial accounting cycle based on the corporate ledger system.

Consultation

- 3.30 Finance Officers shall maintain regular contact with budget holders to review their financial position and obtain variance explanations as required. This shall be undertaken at least on a monthly basis in order to inform the committee reporting process and no less than quarterly in significantly decentralised environments. This contact will include attendance by finance officers at appropriate management team meetings when budgets are discussed. Budget holders/service managers shall provide all relevant information required by finance officers and vice versa.
- 3.31 Budget holder views on the financial support afforded to them shall be sought at reasonable intervals and acted upon as appropriate.

Virement

3.32 Authority for the transfer of resources from one budget to another is provided within Section C2 of the Council's Financial Regulations (see Appendix B).

Approval of virement will take account of:

- adherence to the Code of Practice on Local authority Accounting in the UK (ACOP);
- the balancing of related expenditure and income issues;
- movements within approved schemes of budget delegation;
- the need to remedy anticipated budget pressures elsewhere;
- the impact of approved service developments on the nature of service spend;
- previous Council decisions on the application of budget resources;
- the remedy of error in budget compilation; and
- spend to save initiatives.

3.33 Virement will not be used:

- to mask overspend and underspend issues;
- to apply underspends or over-recoveries of income without reference to the relevant service convener or Council;
- to reverse any decision made by the Council during its budget process unless subsequently approved by Council; and
- where virement would result in an increase in the overall budget of the Council in the current or any subsequent financial year.

3.34 Virement requests should be made in writing to the Section 95 Officer, unless covered by delegated authority. In this case, the Section 95 Officer should be notified in writing of planned virement.

Virement – Contingency Fund

3.35 The Council operates a central contingency fund to accommodate externally led reductions which benefit departmental budgets. This fund is also called upon to address budget increases resulting from external factors. It is felt that budgetary control reporting is more transparent and accountable with impact of variances outwith departmental influence removed from within departmental budgets.

3.36 It is the responsibility of the Section 95 Officer to maintain a record of all budget transfers in/out of the Fund. It would also be the responsibility of the Section 95 Officer, in discussion with the Chief Executive/Directors, to determine appropriate budget movements to transfer in/out of the Fund.

3.37 The Policy for transfers to/from the Contingency Fund is attached as Appendix D.

Section 4 : Trading Operations

4.1 This section of the Code of Practice deals with the financial management of trading operations. It seeks to ensure that best value is achieved and that high standards of financial stewardship are applied at all times. The sections of the Code relating to roles and responsibilities and budgets and budgetary control are also relevant to trading operations and should be applied in conjunction with this section.

Background

4.2 The Local Government in Scotland Act 2003 repealed the legislation governing compulsory competitive tendering (CCT). This removed the requirement to achieve a prescribed annual financial objective for defined local authority services, and replaced it with the requirement to report the results of “significant trading operations” which must achieve break even in financial terms over a 3-year rolling period. A client/contractor split is no longer valid. Achieving the financial requirement to break even is based on the total cost of providing a service.

4.3 The Council reviews its services annually to identify whether a trading account was required using the tests set out in the CIPFA guidance ‘A Best Value Approach to Trading Accounts’. First of all services are assessed against two key criteria to see if a trading operation existed:

- the service is provided in a competitive environment i.e. the user has the discretion to use alternative providers; and
- the service is provided on a basis other than the straightforward recharge of cost.

4.4 Where a service fails either of these criteria, no trading account is required. Also, where the Council believes that best value can be demonstrated without formal market testing or tendering, and where users are not permitted to purchase services externally, it is not a trading operation and, therefore, trading accounts are not compulsory under the terms of the Act.

4.5 If the service passes both criteria, it should then be tested for significance. Only significant trading operations are covered by the Act and each authority can determine what it regards as “significant”. West Dunbartonshire Council uses 2% of net expenditure as the key test of significance, i.e. trading operations which have a turnover greater than 2% of the Council’s net revenue expenditure are considered to be significant.

4.6 Trading operations which fail this primary financial test of significance are then tested against other criteria to see if they should be considered as significant:

- the forecast surplus/deficit is > 10% of turnover;
- the activity is reported in a key performance indicator;
- there is a risk of service or reputational loss to the Council; and
- the service areas is likely to be of interest to key stakeholders.

Reporting to Committee

- 4.7 Performance of the trading accounts should be reported regularly to the relevant service committee. Also, financial performance will be reported to Council as part of the reporting framework for all budgets.
- 4.8 The service committee has the following responsibilities in relation to trading operations:
- to ensure that the trading operation complies with relevant legislation;
 - to consider the required structure and establishment of the trading operation;
 - set the standards and level of service which the Council wishes to achieve in relation to the activities undertaken by the trading operation;
 - to approve the three year trading operation business plan, including a minimum breakeven target;
 - to ensure that the specified financial target is met over the relevant period and recommend corrective action where this is not likely to be the case;
 - to monitor the performance of the trading operation in the context of the Council's best value strategy and the operation's business plan;
 - to award contracts;
 - to monitor performance and compliance with the contract; and
 - to note variations and the application of contract penalties.

The Section 95 Officer

- 4.9 In general, the responsibilities of the Section 95 Officer are no different in relation to trading operations than they are in relation to all Council services. Specifically however, in relation to trading operations, the Section 95 Officer will:
- review income assumptions within individual business plans for reasonableness and consistency with sums available in spending department budgets or other funding that may be available;
 - formally agree the trading operation business plan;
 - agree with the Director any significant subsequent changes to the business plan and their affect upon profitability;
 - advise Directors and Councillors on the options available with regard to anticipated reported losses and advise Councillors on the use of anticipated reported surpluses; and
 - assist trading operation managers in the development and regular review of budgets as represented in the business plan.

Director

- 4.10 The Director is responsible for all aspects of the trading operation including:
- business planning;
 - day to day management;
 - compliance with relevant legislation;
 - compliance with contract conditions;
 - compliance with financial and non-financial performance targets; and
 - reporting performance.

- 4.11 From a financial perspective, the Director is responsible for preparing realistic and achievable budgets (with appropriate input from finance officers), and including these within a business plan. The budgets must be agreed with the Section 95 Officer.
- 4.12 The Director should ensure, in conjunction with the Section 95 Officer, that sufficient spending (client) department budgets or other funding is available to support the trading operation's business plan assumptions.
- 4.13 Any significant changes to the business plan should be agreed with the Section 95 Officer and reported to the appropriate committee. The Director should make arrangements to provide accurate, complete and timely advice in support of trading operation development proposals or client proposals which may affect trading operation viability or otherwise.
- 4.14 In practice, duties will be delegated to operational managers within the organisation, the extent of which should be covered by a framework of job descriptions which clearly define individual responsibilities.

Head of Service/ Trading Operations Manager

- 4.15 Operational management and reporting should be delegated to a nominated officer. The nominated operations manager should have responsibility for overseeing operational management ensuring that policies, procedures and controls are put in place at service or unit level and that problems are highlighted and dealt with timeously and reported as appropriate. It is likely that certain duties will be delegated within the organisation, the extent of which should be covered within a framework of job descriptions.
- 4.16 Specific responsibilities of the operations manager should be to:
- manage the resources available to the trading operation economically, efficiently and effectively to achieve best value;
 - prepare tender submissions to ensure the profitable operations of the trading operation;
 - prepare, with the relevant Finance Officer, a realistic and achievable business plan. The general format should be consistent between different trading operations and cover the following broad headings:
 - aims and objectives;
 - current economic or business environment;
 - staff resources;
 - profile of services;
 - performance targets; and
 - financial budgets and targets including an analysis of expected funding sources.;
 - monitor financial performance of the trading operation in liaison with the finance officer, and instigate corrective action where necessary; and
 - ensure that arrangements are in place for preparing measurements, claims and recovery of income due to the trading operation.

Finance Officer

4.17 Specific responsibilities in relation to trading operations include:

- to advise the department's management team on financial matters relating to the trading operations activities to enable them to ensure that the statutory financial target is met;
- in conjunction with the operations manager, to prepare a realistic and achievable budget as represented by the business plan;
- in conjunction with the operations manager, to assess any significant changes to the business plan and their affect upon profitability;
- to maintain the financial administration and reporting framework to ensure effective monitoring of the trading operation's financial performance, both in total terms and for individual operating units;
- to maintain effective processing and control of the trading operation's income and expenditure in line with the approved business plan in order that expenditure is correctly matched against income on an ongoing basis;
- as part of the regular financial monitoring process, to reconcile with the client and agree with the Section 95 Officer, spending against approved client budgets;
- to develop and maintain the trading operation's financial systems ensuring their compatibility with the Council's corporate financial systems in liaison with the Section 95 Officer;
- to maintain financial records under the direction of the Section 95 Officer in accordance with legislation and relevant accounting codes and standards;
- to develop and maintain the trading operation's information systems to provide complete, accurate and timely information for operational managers;
- within the reporting framework and style laid down by the Section 95 Officer, to compile and sign off regular, accurate and complete financial monitoring statements for discussion and agreement with the Section 95 Officer through appropriate officers within the Finance Service and onward submission to committee;
- to ensure appropriate levels of accrued expenditure and income are calculated, budget profiles are maintained and supporting documentation is provided; and
- to ensure client accounts receive timely and accurate financial, variant and other relevant information which may be required to allow appropriate level of budget preparation and monitoring at any time.

Estimates and Business Plan

4.18 The inter-relationship between client budgets and trading operations is critical and consequently the Council's budget process should ensure that changes in one are reflected in the other. Draft trading operation estimates should be compiled in parallel with the Council's budget and be included in the Council's Estimates Book. To maintain confidentiality, a summary format of expenditure, income and surplus will be sufficient.

- 4.19 These draft estimates should be fine-tuned as necessary and will form the basis of the trading operation business plan for the year. Each business plan should be agreed between Directors and the Section 95 Officer and be submitted for approval to the first service committee of the new financial year.
- 4.20 The business plan may be revised during the year, but the service committee must approve any significant amendments. Any amendments which have a material affect on the trading surplus must be notified to Council for approval.

Monitoring Statements

- 4.21 Monitoring statements should be prepared in line with the format and timetable determined by the Section 95 Officer. The statements should be prepared on a full accruals basis, in accordance with relevant accounting codes and standards, and should monitor actual performance of the trading operation against the approved budget.

APPENDIX A

Roles and Responsibilities of Finance Officers

Finance Officers

It is the responsibility of Finance Officers to:

- assist the Section 95 Officer in identifying and formulating options and identifying resources which will contribute to meeting the Council's strategic objectives, including budget and service plans;
- provide impartial advice and guidance to departments, Councillors and committees on all financial matters pertaining to the Council and its services;
- service the Council and all relevant committees;
- provide advice, guidance and assistance to Executive Directors, operational managers and budget holders on all financial matters;
- develop integrated service plans, annual budgets, three year budgeting and the financial strategy, in conjunction with departments;
- co-ordinate the budget process, including budget virement;
- control the contingency fund and the virements to/from it during the financial year, maintaining records where appropriate;
- compile service monitoring reports jointly with departmental budget holders;
- compile corporate budget monitoring reports and submit to Council and appropriate Committees;
- implement appropriate systems to ensure compliance with Council's Financial Management and Control Code of Practice including standing orders and financial regulations;
- review service budgets and assist in the budget process by costing growth/savings options and allocating them across budget heads;
- direct and consolidate statutory final accounts;
- provide corporate financial services, e.g. capital accounting, operational leasing, option appraisal, VAT advice, through specific meetings and training courses;
- advise on and implement the financial management and accounting frameworks and systems in terms of relevant legislation and accounting codes of practice;
- undertake research and development on all finance related matters, and participate in and provide advice, guidance and assistance on best value reviews and the process of continuous improvement across the Council;
- develop and introduce new techniques, processes and systems, where appropriate or required;
- maintain and develop corporate accounting systems;
- extend corporate financial management systems across the Council with the objective of meeting both corporate and service department needs;
- provide financial advice and services to Joint Boards and other bodies;
- maintain financial records in accordance with legislation, accounting standards and accounting codes of practice, under the direction of the Section 95 Officer;
- maintain effective financial control of the service's expenditure and income;
- ensure that operational managers and budget holders are provided with accurate, timeous and appropriate information to enable them to effect control over expenditure and income;

- monitor performance against budget and provide regular budgetary control statements for operational units and managers;
- prepare monitoring reports and explanations of variances for submission to committees within the reporting framework and style laid down by the Section 95 Officer;
- provide explanations of variances to senior management, the Section 95 Officer and Committees;
- provide statements on periodic and final accounting, including allocation of overhead costs etc.;
- develop appropriate systems for cost analysis in conjunction with the Section 95 Officer e.g. unit costs, activity based costing, etc.;
- carry out cost appraisals, value for money studies etc.;
- maintain the financial ledger in accordance with the guidelines; and
- provide advice, guidance and assistance on best value reviews and other continuous improvement processes across the Council (per the Council's Policy on Continuous Improvement).

A listing of further internal reference information available to all Finance Officers is noted within Appendix E.

APPENDIX B

Financial Regulations

Per previously agreed at Council – will be inserted in final document

APPENDIX C

Standing Orders

Per previously agreed at Council – will be inserted in final document

APPENDIX D

CONTINGENCY FUND POLICY

INTRODUCTION

- 1.1 Some Councils operate a central fund to accommodate externally led reductions which benefit departmental budgets. This fund is also called upon to address budget increases resulting from external factors.
- 1.2 It is felt that budgetary control reporting would be more transparent and accountable if the impact of variances outwith departmental influence was removed (or compensated) from within departmental budgets.

MAIN ISSUES

- 2.1 It would be the responsibility of the Head of Finance and Resources to maintain a record of all budget transfers in/out of the Council Contingency Fund (CCF). It would also be the responsibility of the Head of Finance and Resources, in discussion with the Chief Executive/Executive Directors, to determine appropriate budget movements to transfer in/out of the CCF.
- 2.2 An additional line would be introduced into consolidated Council Budgetary Control reports to ensure reconciliation back to the approved budget in the Revenue Estimates Book.
- 2.3 It is suggested that, for the purposes of the CCF, a level of materiality where the individual budget line movement is greater than £50,000 should be introduced.
- 2.4 The CCF will apply to all Revenue budgets of the Council, including the Housing Revenue Account and each Trading Organisation. Transfers in/out of the Housing Revenue Account will be subject to legislative constraints.
- 2.5 **Similarly, the impact of significant unforeseen expenditure burdens on departmental budgets would be financed by additional budget resources allocated to departmental budgets from the CCF. Departments would be invited to make appropriate application to the Head of Finance and Resources.**

APPENDIX E

Reference Documents for Finance Officers

Additional Internal Reference Documents

- Contingency Fund
- Prudential Reserve Policy
- Longer Term Financial Strategy
- Remit of the Strategic Finance Working Group
- Capitalisation Policy
- IFRS Policy documentation
- Scheme of Delegation (Education)
- Planning and Budget Guidance
- Trading Review documentation
- FMIS procedure documentation
- Year end procedure documentation -
 - Timetable
 - Officer procedure notes
 - FRS17 (Pension charges)
 - Central Support Allocation
 - Insurance allocation
 - Depreciation & Impairment Chgs
 - FRS25/26 (Treasury related)
 - Capital write off periods
 - Interest on Revenue balances
 - Loan charges