

Part F – Appendices

Section F5:- Finance and Contract Procedure Rules

F5C:- Financial Planning

In Part F:-

Section F1 contains the Member Code of Conduct

Section F2 contains the Member Planning Protocol

Section F3 contains the Officer Code of Conduct

Section F4 contains the Officer/Member Relations Protocol

This Section (F5) contains the Finance and Contract Procedure Rules that govern how the council manages its financial affairs. The Rules are split into the following eight parts:-

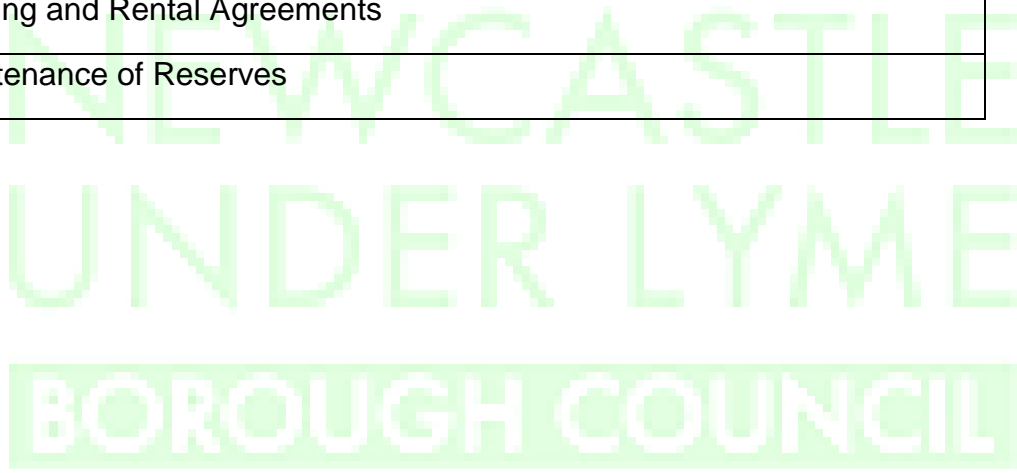
- **Part F5A** contains an introduction and overview to the principles of good financial management, the roles and responsibilities of Officers and Members and the various documents and processes that form the council's financial management framework.
- **Part F5B** Financial Management
- **This Section (F5C)** Financial Planning
- **Part F5D** Risk Management and Control of Resources
- **Part F5E** Financial Systems and Procedures
- **Part F5F** Contract Procedure Rules
- **Part F5G** Collaborative Working and ASDVs
- **Part F5H** Glossary



Part F – Appendices
Section F5:- Finance and Contract Procedure Rules
F5C:- Financial Planning

In this Section:-

C1	Why is Financial Planning important?
C2	What is covered in this Section?
C3	Policy Framework
C4	Revenue Expenditure
C5	Revenue Budget Preparation
C6	Budget Monitoring and Control
C7	Determination, Monitoring & Control of affordable borrowing
C8	Responsibility for borrowing
C9	Capital Expenditure
C10	Capital Approvals and Strategic Projects
C11	Capital Monitoring and Amendments to the Capital Programme
C12	Capital Receipts
C13	Leasing and Rental Agreements
C14	Maintenance of Reserves





C1. Why is Financial Management Important?

C1.1 Section A1 of the Constitution explains how Council adopts the Budget and Policy Framework following proposals from the Cabinet, and that once adopted the Cabinet is responsible for its implementation. In terms of financial planning, the key elements of the Budget and Policy Framework are as follows. These might go by different names from time to time.

C2. What is covered in this Section?

C2.1 This section contains information on:-

- a) Policy Framework
- b) Budgeting
- c) Format of the Budget
- d) Revenue Budget Preparation, Monitoring and Control
- e) Determination, Monitoring and Control of Affordable Borrowing
- f) Resource Allocation
- g) Capital Programmes
- h) Leasing and Rental Agreements
- i) Maintenance of Reserves
- j) Reporting

C3. Policy Framework

C3.1 Council is responsible for approving the Budget and Policy Framework. The policy framework will comprise the statutory plans and strategies which the Council is required to produce.

C3.2 Council is also responsible for approving procedures for agreeing variations to approved budgets, plans and strategies forming the policy framework and for determining the circumstances in which a decision will be deemed to be contrary to the budget or policy framework.

C3.3 Council is responsible for approving the process to enable changes to be made to the budget during the financial year. The Cabinet is responsible for taking in-year decisions on resources and priorities in order to deliver the budget policy framework within the financial limits set by the Council.

C3.4 Each year the Council produces:-



- a) The Council Plan detailing its objectives and targets over a 3 to 4 year planning horizon
 - b) A Medium Term Financial Strategy detailing the financial and service scenario over a 3 to 4 year planning horizon and the policy and expenditure options required to respond to this scenario.
- C3.5 The Section 151 Officer will advise Council on the financial environment, financial policies, including the appropriate levels of reserves and contingencies, the amount of borrowing outstanding and an appropriate treasury management strategy. The Section 151 Officer will also advise Council on the policy and expenditure options to assist in the determination of its Budget. Individual Service Directors will support this process by assessing and advising on the service scenario and policy and expenditure options for revenue and capital in their area of responsibility, in a form determined by the Section 151 Officer.
- C3.6 The Cabinet, advised by the Section 151 Officer, will develop a budget package including financing options, policy and expenditure options and a capital programme. This will be subject to review by the relevant Scrutiny Committee and Cabinet before consideration by Council. The final Budget and Council Tax precept will be determined by Council.
- C4. Revenue Expenditure**
- C4.1 Revenue expenditure is broadly defined as any expenditure incurred on the day-to-day running of the Council. Examples of revenue expenditure include salaries, energy costs, and consumable supplies and materials.
- C5. Revenue Budget Preparation**
- C5.1 The Section 151 Officer is responsible for ensuring that a revenue budget is prepared on an annual basis for consideration by the Cabinet, before submission to Council. Council may amend the budget or ask the Cabinet to reconsider it before approving it in accordance with the Constitution.
- C5.2 It is the responsibility of Service Directors to ensure that budget estimates reflecting agreed plans are submitted to the Cabinet and that these estimates are prepared in line with any guidance issued by the Section 151 Officer.
- C5.3 The Section 151 Officer is responsible for approving the council's tax base for the forthcoming year and reflecting this within the budget.



C5.4 The Cabinet will then submit a 'final budget' to Council for approval.

C5.5 The Section 151 Officer is responsible for reporting to Council on the robustness of estimates contained within the budget proposed by the Cabinet and the adequacy of reserves allowed for in the budget proposals.

C5.6 Council shall not approve additional net expenditure to either revenue or capital budgets without first having considered the advice of the Cabinet and the Section 151 Officer on the financial implications arising.

C6. Budget Monitoring and Control

C6.1 The Section 151 Officer is responsible for providing appropriate financial information to enable budgets to be monitored effectively. He or she must monitor and control expenditure against budget allocations at a corporate level and report to the Cabinet on the overall position on a regular basis.

C6.2 It is the responsibility of the Corporate Leadership Team to control income and expenditure within their area and to monitor performance, taking account of financial information provided by the Section 151 Officer. They should report on variances within their own areas. They should also take any action necessary to avoid exceeding their budget allocation and alert the Section 151 Officer to any problems.

C6.3 In addition, the Section 151 Officer will:-

- a) administer the Council's scheme of virements and supplementary estimates (both administrative and those requiring Member approval)
- b) prepare and submit reports on the Council's projected income and expenditure compared with the budget on a regular basis

C7. Determination, Monitoring & Control of Affordable Borrowing

C7.1 Under the Local Government Act 2003, the Council is required to have regard to the Chartered Institute of Public Finance and Accountancy's (CIPFA) Prudential Code for Capital Finance in Local Authorities (Prudential Code).

C7.2 The key objectives of the Prudential Code are to ensure that within a clear framework the capital investment plans of local authorities are affordable, prudent



and sustainable. A further objective is to ensure that treasury management activity supports prudence, affordability and sustainability.

C7.3 The Prudential Code requires that prior to the commencement of the financial year the following prudential indicators for the forthcoming financial year and at least the two subsequent financial years must be approved by Council.

C7.4 The minimum indicators required for the following three year period are:-

- a) estimates of the ratio of financing costs to net revenue stream
- b) estimates of capital expenditure and how it will be financed
- c) estimates of the increases in Council Tax and Weekly Rents that would result from the totality of the estimated capital expenditure
- d) estimates of capital financing requirements (underlying need to borrow for a capital purpose) and estimated level of gross external borrowing (total debt)
- e) the authorised limit for external debt
- f) the operational boundary for external debt
- g) a limit on the amount of fixed rate investments and fixed rate borrowing the Council may have during the year
- h) a limit on the amount of variable rate investments and variable rate borrowing the Council may have during the year
- i) the maximum proportion of fixed rate loans maturing in specified periods
- j) the maximum amount to be invested for longer than 1 year

C7.5 After the year end, actual values are to be calculated for:-

- a) ratio of financing costs to net revenue stream
- b) capital expenditure



c) capital financing requirement

d) external debt

C7.6 In addition, Council will set for itself the following local Financial Health Indicators (FHIs) for the current year, the following year and the two successive years:

a) interest and debt repayment costs as a % of net budget

b) the total borrowing requirement as a % of the Council's net budget

C8. Responsibility for Borrowing

C8.1 The Section 151 Officer is responsible for:-

a) establishing procedures to both monitor performance against all forward looking prudential indicators and for ensuring that gross external borrowing does not exceed the Council's authorised limit

b) reporting to Council any significant deviations from expectations

c) ensuring that regular monitoring is undertaken in year against the prudential indicators of affordability and sustainability by reviewing estimates of financing costs to revenue, the capital financing requirement and the local FHIs

d) reporting to Council, setting out management action, where there is significant variation in the estimates used to calculate these prudential indicators, for example caused by major overruns of expenditure on projects or not achieving in-year capital receipts

C9. Capital Expenditure

C9.1 Capital expenditure is broadly defined as expenditure, on the acquisition of an asset, or expenditure which adds to (rather than merely maintains), the value of an existing asset. It also includes spending that extends the useful life of an asset and increases usability, provided that the asset yields benefits to the council and the services it provides for a period of more than one year.

C10. Capital Approvals and Strategic Projects

C10.1 The council has developed a Gateway approval process that sets out the process, procedure and documentation that must be used for all proposals to be included in



the council's approved capital programme and for strategic projects. The purpose of this process is to ensure that all proposals are both affordable and fit with corporate priorities. Details of the processes (and relevant documentation) that must be followed are published on the intranet.

C10.2 The Section 151 Officer will review this process as required and it is the responsibility of each project manager to ensure that they keep up to date with the process and documentation.

C11. Capital Monitoring and Amendments to the Capital Programme

C11.1 As part of the annual policy and planning process, schemes in the capital programme which have not reached an advanced stage will be reconsidered.

C11.2 All capital schemes and allocations should be approved through the annual capital programme setting process, within the timetable set out by the Section 151 Officer and approved at the annual budget setting Council.

C11.3 In exceptional cases, there will be a need for a new capital project to be approved in-year. The Gateway Approval Process for these in-year schemes is set out in Rule B10 of Section F5B (Financial Management).

C11.4 Project managers must ensure that the project specification remains consistent with the approved business case and continues to represent value for money for the council. Where project outcomes or costs alter significantly from those originally approved, a revised Business Case must be completed for approval through the Gateway approval process.

C11.5 Wherever possible, expenditure funded by rechargeable works should be included in the Capital Programme. Where this is not possible, Service Directors may approve (in consultation with the Section 151 Officer) capital expenditure in respect of urgent work to repair, replace or reinstate vehicles, buildings or equipment where the work is to be fully funded from insurance monies.

C11.6 In addition, Service Directors may authorise essential design work subject to available budget required in advance of the start of the financial year on capital schemes that are in the programme approved by Council in February.



C12. Capital Receipts

C12.1 The Section 151 Officer must be informed of all proposed sales of land and buildings so that the effect on financial and property management can be assessed.

C12.2 Council will determine, in each budget setting process, the amount of receipts to be set aside for the repayment of debt and how the balance of such receipts is to be used in the coming financial year. Use of unbudgeted receipts arising in-year shall be subject to the scheme of virement/supplementary estimate (Rule B8.1).

C13. Leasing and Rental Agreements

C13.1 Leasing or renting agreements must not be entered into unless the service has established that they do not constitute a charge against the Council's prudential borrowing limits. Advice can be obtained from the Section 151 Officer on general leasing arrangements and on whether the lease is a finance or operating lease.

C13.2 The Section 151 Officer's approval must be obtained for all agreements that may involve a leasing charge, excluding leases relating to land or property.

C14. Maintenance of Reserves

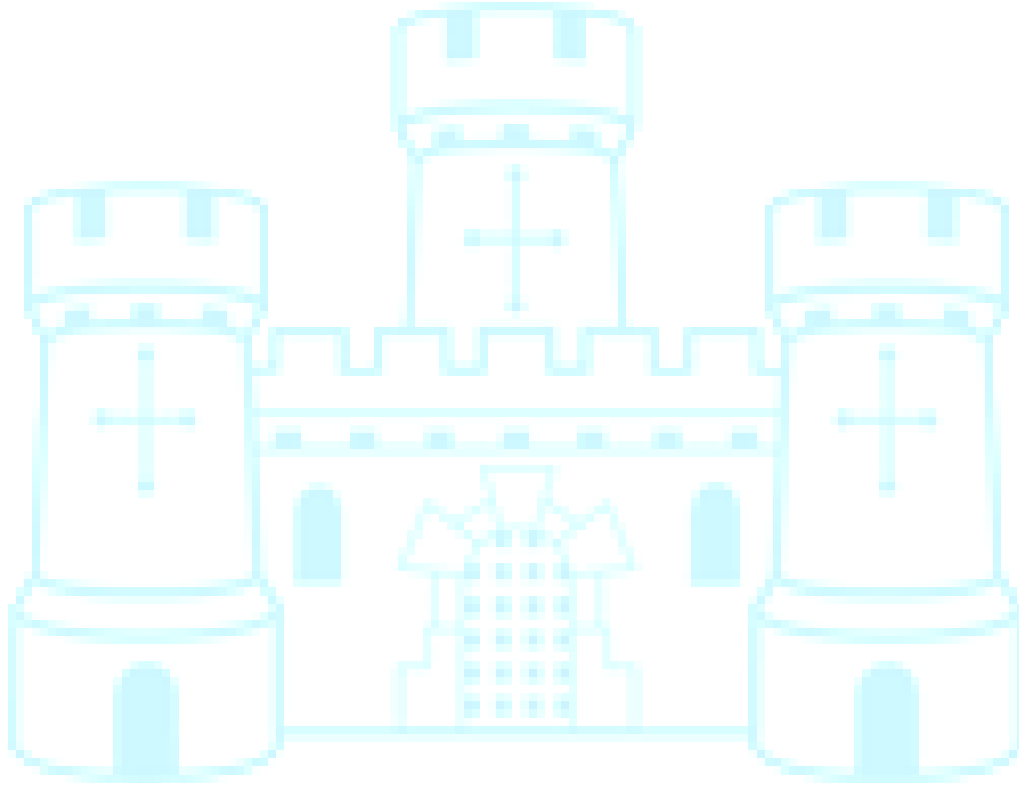
C14.1 The Section 151 Officer is responsible for advising the Cabinet and/or Council on prudent levels of reserves for the Council, taking into account of the advice of the external auditor.

C14.2 The key controls are:

- a) to maintain reserves in accordance with the Code of Practice on Local Council Accounting in the United Kingdom and agreed accounting policies
- b) for each reserve established, the purpose, usage and basis of transactions should be clearly identified
- c) authorisation of expenditure from the General Fund Reserve is in accordance with the limits set out in F4B (Financial Management) Rule B8.2. Expenditure from Earmarked Reserves/Contingencies is to be authorised by the Section 151 Officer. In addition, the Section 151 Officer may authorise any (in any amount):-
 - i. any appropriation to and from reserves of unused grant and contribution income



- ii. any appropriation where there is a legislative requirement (or equivalent), and the Council has no discretion in undertaking the transfer
- iii. any appropriation within the budget agreed by Council



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