

BUDGET AND POLICY PROCEDURE RULES

1.0 Framework for Executive Decisions

The Council will be responsible for the adoption of its budget and policy framework as set out in Article 4. Once a budget and policy framework is in place it will be the responsibility of the Executive to implement it.

2.0 Process for Developing the Framework

2.1 The process by which the budget and policy framework shall be developed is:

- a) After consulting stakeholders in a manner appropriate to the matter under consideration, the Executive will draw up initial proposals in relation to any plan, strategy which form part of the Council's Policy Framework. Once drawn up, the Group Head of Democracy and Governance will serve copies of them on the Chair of the Overview and Scrutiny Committee, together with dates when the Executive will consider them further, which shall be at least 6 weeks after service of the Notice on the Chair.
- b) The Overview and Scrutiny Committee will be convened within 7 working days to consider whether and how to respond to the Executive's initial proposals and whether any consultation by it or any other Overview and Scrutiny Panel/Task Group is appropriate. If so, it will determine how to conduct a consultation exercise and will reflect any representations made to an Overview and Scrutiny Panel/Task Group set up for the purpose in its response to the Executive within the timescale set for decision by the Executive.
- c) The Executive will finalise its proposals for the Council to consider, having taken into account the comments from the Overview and Scrutiny Committee. The report to Council will show the Executive's response to those comments.
- d) The Council will consider the proposals of the Executive, and may adopt them, amend them, refer them back to the Executive for further consideration or substitute its own proposals in their place. The Council shall have before it the Executive's proposals and any report from the Overview and Scrutiny Committee.

- e) The Council's decision will be published in accordance with Article 4 and a copy shall be given to the Mayor. The notice of decision shall be dated and shall state either that the decision shall be effective immediately if the Council accepts the Executive's proposal without amendment, or if the Executive's proposal is not accepted without amendment, that the Council's decision will become effective on the expiry of 7 working days after the publication of the notice of decision unless the Mayor formally objects in that period.
 - f) If the Mayor objects to the decision of the Council, he/she shall give written notice to the Group Head of Democracy and Governance to that effect no later than 5.00 p.m. on the 6th working day prior to the date the decision is to be effective. The written notification must state the reasons for the objection. Where such notification is received, the Group Head of Democracy and Governance shall convene a further meeting of the Council to reconsider its decision and the decision shall not be effective pending that meeting.
 - g) The Council meeting must take place in not less than 5 and not more than 10 working days of the receipt of the Mayor's written objection. At that meeting the decision of the Council shall be reconsidered in the light of the objection, which shall be available in writing for the Council.
 - h) The Council shall, at that meeting, make its final decision on the matter on the basis of a two-thirds majority. If the Council does not agree its original decision or any amendment thereto by a two-thirds majority the motion originally proposed by the Mayor at the original meeting will be deemed to be carried. The decision shall be made public in accordance with Article 4 and shall be implemented immediately.
 - i) In approving the budget and policy framework, the Council will also specify the extent of virement within the budget and degree of in-year changes to the policy Framework which may be undertaken by the Executive in accordance with Paragraphs 5 and 6 of these rules (virement and in-year adjustments). Any other changes to the Budget and Policy Framework are reserved to the Council.
- 2.2 a) Where before the 8th February in any financial year the Executive submits to Council for its consideration in relation to the following financial year:

- i) estimates of the amounts to be aggregated in making a calculation in accordance with Section 32 to 37 or 43 to 49 of the Local Government Finance Act 1992.
- ii) estimates of other amounts to be used for the purposes of such a calculation
- iii) estimates of such a calculation
- ii) amounts required to be stated in a precept under Chapter IV of the Local Government Finance Act 1992

and following consideration of those estimates or amounts Council has any objections to them it must also comply with the provisions of 2.1(e) to (h) above.

- b) 2.2(a) shall not apply in relation to calculations or substitute calculations the Council is required to make in accordance with Sections 52I, 52J, 52T or 52U of the Local Government Finance Act 1992.

3.0 **Decisions Outside the Budget and Policy Framework**

- a) Subject to the provisions of Paragraph 5 (virement) the Executive, committees of the Executive, individual members of the Executive and any Officers, Neighbourhood Forums or joint arrangements discharging Executive functions may only take decisions which are in line with the budget and policy framework. If any of these bodies or persons wish to make a decision which is contrary to the policy framework, or contrary to or not wholly in accordance with the budget approved by full Council, then that decision may only be taken by the Council subject to 4 below.
- b) If the Executive, committees of the Executive, individual members of the Executive and any Officers, Neighbourhood Forums, or joint arrangements discharging Executive functions want to make such a decision, they shall take advice from the Monitoring Officer and/or the Chief Financial Officer as to whether the decision they want to make would be contrary to the policy framework or contrary to or not wholly in accordance with the budget. If the advice of either of these Officers is that the decision would not be in line with the existing budget and/or policy framework, then the decision must be referred by that body or person to the Council for decision, unless the decision is a matter of urgency, in which case the provisions in Paragraph 4 (urgent decisions outside the budget and policy framework) shall apply.

4.0 **Urgent Decisions Outside the Budget and Policy Framework**

- a) The Executive, a committee of the Executive, an individual member of the Executive or Officers, Neighbourhood Forum or joint arrangements discharging Executive functions may take a decision which is contrary to the Council's policy framework or contrary or not wholly in accordance with the budget approved by full Council if the decision is a matter of urgency. However, the decision may only be taken:
- i) if it is not practicable to convene a quorate meeting of the full Council
 - ii) if the Chair of the Overview and Scrutiny Committee agrees that the decision is a matter of urgency.

The reasons why it is not practicable to convene a quorate meeting of full Council and the Chair of the Overview and Scrutiny Committee's consent to the decision being taken as a matter of urgency must be noted on the record of the decision. In the absence of the Chair of the Overview and Scrutiny Committee, the consent of the Chairman of the Council, and in the absence of both, the Vice Chairman, will be sufficient.

- b) Following the decision, the decision taker will provide a full report to the next available Council meeting explaining the decision, the reasons for it and why the decision was treated as a matter of urgency.

5.0 **Virement**

Budgetary Management

Budget management ensures that once the budget has been approved by the Council, resources allocated are used for their intended purposes and are properly accounted for. Budgetary control is a continuous process, enabling the Council to review and adjust its budget targets during the financial year. It also provides the mechanism that calls to account managers responsible for defined elements of the budget.

By continuously identifying and explaining variances against budgetary targets, the Council can identify changes in trends and resource requirements at the earliest opportunity. The Council itself operates within

an annual cash limit, approved when setting the overall budget. To ensure that the Council in total does not overspend, each service is required to manage its own expenditure within the cash-limited budget allocated to it.

For the purposes of budgetary control by managers, a budget will normally be the planned income and expenditure for a service area or cost centre. However, budgetary control will also take place at a more detailed level in order to construct the higher level position

Scheme of Virement

Within budgetary management control a scheme of virement exists to enable the Mayor, Executive/ Cabinet, Chief Officers and their staff to manage budgets with a degree of flexibility within the overall policy framework determined by the Council. With regard to the procedures detailed below, (the Chief Executive can also substitute for the Chief Finance Officer in case of absence/ emergency) .

- a) The Council has two budgets; the General Fund Revenue Budget and the Capital budget. Council approves these budgets annually and may vary them during the year.
- b) Once approved by Council, these budgets may only be varied by Full Council, in accordance with the use of earmarked reserves or through the Scheme of Virement set out below in (d) and contained within the Councils Constitution
- c) A decision to use the Council's general fund working balance, can only be made by Full Council.
- d) The Scheme of Virement
 - (i) These rules apply to virements within the General Fund and the Capital Budget. It is not possible to vire between these budgets.
 - (ii) All virements over £10,000 are subject to the approval of the Chief Finance Officer to ensure compliance with proper practices. This includes the need for consultation between officers and a written report to any member body or individual member of the Executive considering a virement under (vii) or (viii)

(iii) No virement shall be used to fund new services or projects that will create additional budget commitment in future years without the approval of the Executive (Cabinet) for amounts up to £100,000 and by Full Council for amounts in excess of £100,000.

(iv) The Chief Executive, in consultation with the Chief Financial Officer is authorised to withdraw or limit the delegated authority of officers to vire.

(v) An Executive Director/Director/Executive/ Group Head/Associate Director may approve virements **within cost centres** under his or her control on up to three occasions per annum per cost centre

- up to and including £10,000 following notification to the Chief Financial Officer.
- Over £10,000 up to and including £50,000 with approval from the Chief Executive and Chief Financial Officer.
- Over £50,000 and up to and including £100,000 with approval from the Chief Executive, Chief Financial Officer, Portfolio Holder or Mayor

(vii) An Executive Director/ Director/Executive/Group Head/Associate Director may approve virements **between cost centres** under his or her control on up to three occasions per annum following the same approval processes as detailed at (v) above.

(viii) Where there is a requirement to vire across 'divisional' boundaries, then the approval of both Executive Directors/Directors/Group/Executive Heads will be required. Otherwise the processes to be followed remain the same.

(ix) Virements between and within cost centres over £100,000 can only be approved by Full Council

(x) Virements should be made with the following caveats:

- Virements should not be made for ongoing items of growth unless there is a permanent corresponding reduction to the base estimate from where the source of the virement originated.

- The Associate Director/Executive/Group Head will have regard to ensuring that potential overspends within cost centres within their control are met from under spends in other areas in the first instance and before any virement request is requested.
- Where a staffing vacancy general provision, or procurement saving or any further unallocated savings have been assumed within the overall budget then any forecast underspend needs, in the first instance, to be earmarked to ensure such savings are achieved.
- Any over provision for pay awards cannot be used as a source of a virement as it will need to be returned back to the strategic finance cost centre. Similarly Support Costs recharged from another Associate Director/Group/Executive Head cannot be used as a source of virement.
- The Associate Director/Group/Executive Head will have regard for any actions proposed by the Chief Financial Officer in times of financial constraint in order to maintain the overall net budget
- Multiple amounts for the same budget head virement will not be allowed beyond a maximum of three occasions per year. A general exemption (to this 'three times' limit) is allowed in the case of virements between staffing and agency budgets where flexible management may well require more frequent use of virement. Even in this case all financial thresholds will continue to apply.
- Virements which would curtail or stop service delivery (by taking away available finance to vire to other areas) should be discussed with the Chief Executive/ Chief Finance Officer /Portfolio Holder or Mayor as appropriate.

(xi) In the case of an emergency the above limits may be exceeded with the approval of the Chief Financial Officer, Chief Executive , Portfolio Holder or Mayor, and a report made retrospectively to Full Council.

(xii) If following consultation with the Chief Financial Officer and relevant portfolio holder a projected overspend cannot be accommodated within budget, by virement or by transfer from

earmarked reserves then Full Council can consider a supplementary estimate following the submission of a report. The submission of such a report will have regard to

- The time in the budget cycle when the overspend has been identified until the end of the financial year
- The case put forward as to why the overspend cannot be contained
- The overall financial position of the Council
- In respect of capital expenditure authorisation should be obtained from the Executive (Cabinet) for individual schemes where the estimated expenditure exceeds the capital provision by more than the 10% or £25,000 whichever is the lower.

In summary the scheme of virement can be presented as follows :

Virement How Much	Who	Which Budgets	Frequency	Required Consultation/Approval
Below £10,000	Associate Directors/Group /Executive Heads	Within and Between Cost centres Within their control	Three times per annum per cost centre	Notification only to Chief Financial Officer
Between £10,000 and £50,000	Associate Directors/Group /Executive Heads	Within and between cost centres within their control	Three times per annum per cost centre	Approval of Chief Financial Officer and the Chief Executive
Between £50,000 and £100,000	Executive Directors/Directors/Associate Directors/Group /Executive Heads / Chief Financial Officer /Chief Executive	Within and between cost centres within their control	Three times per annum per cost centre	Approval of Chief Financial Officer, Chief Executive, Portfolio Holder or Mayor
Over £100,000	Executive Directors/Directors /Group /Executive Heads/ Associate Directors /Chief Executive/Chief Financial Officer	Between cost centres within their control	Unlimited	Consultation with Portfolio Holder or Mayor and then formal report to and approval by Full Council
Virements that funds new services or projects within budget commitments in future years below £100,000	Executive Directors/Directors/Group /Executive Heads /Associate Directors/Chief Executive /Chief Financial Officer	Any	Unlimited	Executive (Cabinet)
Virements that funds new services or projects within budget commitments in future years over £100,000	Executive Directors/Group/Executive Heads /Associate Directors/Chief Executive /Chief Finance Officer Div-9	Any	Unlimited	Formal report to and approval by Full Council

Carry Forward of Underspends

All revenue budgets are approved by Full Council with the expectation that expenditure is incurred upon approved service levels within a financial year. Budgets are not approved on the basis that surplus provision can be carried forward to augment future years funding. There may be occasion where an unavoidable delay has occurred in procuring anticipated services/ supplies.

In these rare instances Executive Directors/Group/Executive Heads/Associate Directors should submit a proposal indicating why a carry forward should be permitted. All such submissions will be considered by the Chief Finance Officer / Chief Executive and reported to Corporate Management Board. Where approval has been obtained then these cases will be reported as part of the Annual Statement of Accounts report to Audit Committee and Cabinet.

For capital expenditure, it will be harder to fund all projects within a specific timescale (although the increasing use of project management techniques should reduce its occurrence). In these instances carry forward approvals will be endorsed through periodic monitoring reports

to Budget Panel/ Cabinet and through the Annual Statement of Accounts to Audit Committee and Cabinet.

Use of Earmarked Reserves

Earmarked reserves and contingencies outside the General Fund or Capital budget shall be used only in accordance with the purpose for which the reserve was set up and shall not be vired to other uses. Specific earmarked reserves have been established to smooth out variations in expenditure year on year and to fund approved initiatives. The use of reserves is delegated to individual Executive Directors/Group/Executive Heads/Associate Directors but requires the approval of the relevant Portfolio Holder and the Chief Finance Officer and will be reported as part of the monthly Finance Digest to all members of the Council and considered by the Budget Panel and Cabinet at their appropriate meetings. Earmarked reserves generally :

- Should not be used to fund on-going revenue expenditure
- Expenditure should be shown within the Income and Expenditure Account and funded by a transfer from reserves not simply charged to the reserves
- Transfer to and from reserves should be reported to the Budget Panel and Cabinet at the earliest possible opportunity and at end of year via the annual Statement of Accounts to Audit Committee and cabinet.

6.0 In-Year Changes to Policy Framework

The responsibility for agreeing the budget and policy framework lies with the Council and decisions by the Executive, a committee of the Executive, an individual member of the Executive or Officers, Neighbourhood Forums or joint arrangements discharging Executive functions must be in line with it. No changes to any policy and strategy which make up the policy framework may be made by those bodies or individuals, except those changes:

- a) which will result in the closure or discontinuance of a service or part of a service to meet a budgetary constraint

- b) necessary to ensure compliance with the law, ministerial direction or government guidance
- c) in relation to the policy framework in respect of a policy which would normally be agreed annually by the Council following consultation, but where the existing policy document is silent on the matter under consideration.

7.0 Call-In of Decisions Outside the Budget or Policy Framework

- a) Where the Overview and Scrutiny Committee is of the opinion that an Executive decision is, or if made, would be contrary to the policy framework or contrary or not wholly in accordance with the Council's budget, then it shall seek advice from the Monitoring Officer and/or Chief Financial Officer.
- b) In respect of functions which are the responsibility of the Executive, the Monitoring Officer's report and/or the Chief Financial Officer's report shall be to the Executive, with a copy to every Member of the Council regardless of whether the decision is delegated or not, the Executive must meet to decide what action to take in respect of the Monitoring Officer's/Chief Financial Officer's report and to prepare a report to Council in the event that the Monitoring Officer or the Chief Financial Officer concludes that the decision was a departure, and to the Overview and Scrutiny Committee if the Monitoring Officer or Chief Financial Officer conclude that the decision was not a departure.
- c) If the decision has yet to be made, or has been made but not yet implemented, and the advice from the Monitoring Officer and/or Chief Financial Officer is that the decision is or would be contrary to the policy framework or contrary to or not wholly in accordance with the budget, the Overview and Scrutiny Committee may refer the matter to Council. In such cases no further action will be taken in respect of the decision or its implementation until the Council has met and considered the matter. The Council shall meet within 7 working days of the request by the Overview and Scrutiny Committee. At the meeting it will receive a report of the decision or proposals and the advice of the Monitoring Officer and/or the Chief Financial Officer. The Council may either:
 - i) endorse a decision or proposal of the Executive decision taker as falling within the existing budget and policy framework. In this case no further action is required save that the decision of the

Council be minuted and circulated to all Councillors in the normal way

- ii) amend the Council's financial procedure rules or policy concerned to encompass the original proposal of the individual or body responsible for that Executive function and agree to the decision with immediate effect. In this case no further action is required save that the decision of the Council be minuted and circulated to all Councillors in the normal way; or
- iii) where the Council accepts that the decision or proposal is contrary to the policy framework or contrary to or not wholly in accordance with the budget and does not amend the existing framework to accommodate it, it may require the Executive to reconsider the matter in accordance with the advice of either the Monitoring Officer/Chief Financial Officer, or it can impose its own decision by simple majority
- iv) if it imposes its own decision by simple majority, paragraph 2.1 (e)-(f) of these rules will then apply