

## REGULATION 8: REVENUE AND CAPITAL BUDGETS

### 8.1 PREPARATION OF REVENUE BUDGETS

Revenue budgets cover expenditure and income 'estimates' which will be incurred within one financial year. The budget cycle should be aligned to the policy planning process and budgets set should support the delivery of the Council's aims and objectives.

- 8.1.1 **Financial Strategy:** Detailed budgets for expenditure and income must be prepared with due regard to the Council's Financial Strategy and spending priorities.
- 8.1.2 **Procedures:** Revenue budgets must be prepared following the procedures and timetables set by the Statutory Chief Finance Officer (SCFO).
- 8.1.3 **Estimates:** It is the responsibility of the budget holders to ensure that estimates reflect service delivery plans and take account of past performance and assessments of future resources and commitments.
- 8.1.4 **Working Papers:** Estimates should be supported by working papers, which clearly show the assumptions made.
- 8.1.5 **Contingencies:** Individual service budgets cannot include contingency items for unplanned expenditure. However, provision can be made for known expenditure whose impact and value is not known.
- 8.1.6 **Growth Items:** Any significant growth items proposed for inclusion in a revenue budget should be appraised against the criteria laid down in the Finance Strategy.
- 8.1.7 **Trading and Holding Accounts:** Budgets set for trading and holding accounts must net to zero and have an associated method of internal charging established that has been approved by the Statutory Chief Finance Officer.

### 8.2 PREPARATION AND DELIVERY OF THE CAPITAL PROGRAMME

The Capital Programme covers expenditure of a high value which usually results in a Council asset with a life expectancy of more than 1 year. Such expenditure is termed as being 'capitalised' in that it will be incurred over more than one financial year. The programme therefore consists of construction schemes, improvement schemes and purchases of high value or high volume assets.

- 8.2.1 **De-Minimus Level:** No expenditure under **£10,000** will normally be considered for capitalisation. The exception to this is Vehicle and Plant purchases which must be over **£5,000**.

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- 8.2.2 **Approval to Capitalise Expenditure:** Any proposal to capitalise expenditure must be approved by the Statutory Chief Finance Officer (SCFO).
- 8.2.3 **Capital Scheme Proposals:** Reports must be prepared for the Executive on any scheme to be added to the Capital Programme. These reports must be prepared in accordance with Financial Regulation Support Document 39 - New Capital Scheme Proposals.
- 8.2.4 **Scheme Approval:** The Executive must consider the scheme in the context of the Council's Finance Strategy and Asset Management Plan, approved by the Council.
- 8.2.5 **Budget Approval:** Budget approval must be given for each individual scheme included in the Capital programme, and the revenue budget implications of the scheme.
- 8.2.6 **Financing of Scheme:** The Statutory Chief Finance Officer must advise on the most appropriate method of financing any approved expenditure.
- 8.2.7 **Start of Schemes:** Schemes can only be initiated when the Statutory Chief Finance Officer has confirmed that the funding has been secured.
- 8.2.8 **Project Monitoring:** It is the responsibility of the capital scheme lead officer to keep the Executive Committee informed of any problems that may occur in relation to the timescales for delivery of the scheme.
- 8.2.9 **Substitution of Schemes:** Any full or part substitution of an approved capital scheme with a new scheme within the Capital programme must be approved by the Council.

### 8.3 BUDGETARY CONTROL

**Budgetary control relates to the monitoring and control of actual income and expenditure against the budgets set. The main responsibility for budgetary control lies with the nominated 'budget holder' for that budget.**

**Budgetary monitoring should include details of commitments (orders raised), accruals (goods received) as well as payments actually made and income received.**

**Generally control should be exercised at the lowest level of detail shown in the budget. However, more significance is given in these regulations to control at the 'Net Budget Book' levels (i.e. services listed as a line in the Council's estimates book).**

**Overspending rules relate to overspends on expenditure budgets and the underachievement of income budgets.**

- 8.3.1 **Provision of Information:** Financial Services shall provide budget holders with relevant and timely financial information to enable them to monitor their budgets effectively.

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- 8.3.2 **Budget Holders Responsibilities:** Budget Holders are accountable for the control of income and expenditure within their allocated budgets and should monitor progress, taking account of the financial information available. They should take appropriate action to avoid exceeding their budget allocation and act, as laid out below, if any material variances are anticipated.
- 8.3.3 **Executive Responsibilities:** It shall be the duty of the Executive Committee to monitor and regulate financial performance across revenue budgets and the capital programme to ensure that income and expenditure remain within the limits of the approved budget.
- 8.3.4 **Authority to Incur Expenditure:** Expenditure can only be incurred against a budget if the appropriate delegated authority has been given, as set out in [Financial Regulation 4](#).
- 8.3.5 **Expenditure Outside Budgets:** Expenditure is not permitted if a budget, reserve or financing provision has not been made.

In the event of the Council being involved in an emergency response, such that a control centre has been established, additional powers of expenditure are allowed in accordance with [Financial Regulation Support Document 29](#).

- 8.3.6 **Decisions Outside Budgets:** Budget holders considering undertaking activities that have financial implications, for which there is no budgetary provision, must consult with the Statutory Chief Finance Officer before either making a commitment or reporting their plans to the Council, Executive, Committees or Panels.

The Statutory Chief Finance Officer must be given a reasonable time scale in which to respond and be satisfied that all financial issues have been considered before a report is submitted to the Executive.

- 8.3.7 **Arbitration on Expenditure Charges:** The Statutory Chief Finance Officer will be the final arbitrator over any disputed expenditure charges.
- 8.3.8 **Budget Overspends:** Where it is anticipated that there will be an adverse variance against a revenue or capital budget then the variance should be discussed with the relevant accountant and savings plans or other mitigating measures identified.

**Revenue Budgets:** Where no mitigating measures can be identified for a revenue budget and the adverse variance exceeds **£20,000**, for the total net budget of a service listed in the Council's budget book, then the variance should be reported to the service Director and the Statutory Chief Finance Officer, who should then refer it to the Executive, or other relevant committee, if they are of the opinion that this materially affects the estimates.

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**Capital Budgets:** Where the total cost of a capital scheme is anticipated to exceed the original provision by **10%** (subject to a minimum of **£20,000**) then approval must be obtained from the Executive Committee.

Where capital budget overspends are anticipated to be below this threshold the Statutory Chief Finance Officer should be informed who may then refer the issue to the Executive Committee if s/he is of the opinion that it will materially affect the estimates.

## 8.4 VIREMENTS

**Virements are the temporary transfer of surplus budget provision between ‘estimate’ headings which do not impact on the delivery of a service. These do not affect the base budgets for future years.**

- 8.4.1 **Temporary Effect:** Virements must not increase overall net expenditure, result in a permanent change to the base budget or commit the authority to expenditure in future years.

If the budget transfer is to be permanent then the growth item rules in the Finance Strategy should be followed.

- 8.4.2 **Detrimental Effect:** Virements must not have a detrimental effect to the delivery of a service from which the budget is vired. If a budget transfer is likely to have a detrimental effect on the delivery of a service that year then the following rules apply:

Total Value of Transfer	Authorisation required
Up to £20,000	Relevant executive portfolio holders
£20,000 and over	Executive Committee.

- 8.4.3 **Virements Permitted:** Virements are not permitted if:

- a) The virement is between a General Fund budget and a Housing Revenue Account budget.
- b) The virement involves a Capital budget . Changes to Capital budgets constitute a change to the capital programme which must be approved by the Council.

- 8.4.4 All other virements are permitted if authorisation is obtained in accordance with the following table:

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Total Value of Virement (Aggregate within 1 year)	Nature of Virement	Authorisation required
<b>Any Value</b>	Involving “non controllable” budgets such as employee or Internal Recharge budgets	“Nominated Operational Finance Manager”
<b>Any Value</b>	Involving “controllable” budgets <b>within the same</b> service listed in the Council’s budget book	Relevant Budget Holder
<b>Up to £50,000</b>	Involving “controllable” budgets <b>between</b> 2 or more services listed in the Council’s budget book	All relevant Budget Holders and their directors
<b>£50,000 and over</b>	Involving “controllable” budgets <b>between</b> 2 or more services listed in the Council’s budget book	All relevant Budget Holders, their directors, the Statutory Chief Finance Officer. The relevant executive portfolio holders must also be notified of the change.

8.4.5 All virements must be incorporated into the budget monitoring reports to the Executive Committee and explanations provided for significant variances.

## 8.5 SUPPLEMENTARY ESTIMATES

**A Supplementary estimate is a temporary or permanent addition to a net budget provision.**

8.5.1 **When Permitted:** Where a virement is not possible supplementary estimates may be considered if they meet one of the following criteria:

- circumstances of an exceptional nature, which could not have been foreseen;
- a change in Council or national policy, either in providing a new service or altering an existing service, which was not known at the time the estimates were prepared
- the rephrasing of payments for schemes in progress, which involves no change in the overall cost, but the adjustment of budget provisions from one year to another.

8.5.2 **Consultation:** The advice of the Statutory Chief Finance Officer must be sought before any proposals for a supplementary estimate are considered.

8.5.3 **Approval:** All supplementary estimates must be approved by the Council.

8.5.4 **Urgent Expenditure:** Where expenditure is required urgently and there is no budget provision, verbal agreement may be obtained from the Executive Portfolio holder for Policy, Strategy and Finance, and the Chairman of the Scrutiny Board in consultation with the Statutory Chief Finance Officer and the Chief Executive Officer, up to a value of **£50,000**. This must be reported to the next meeting of the Executive and the Council.

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**8.6 JOURNAL TRANSFERS**

**Journal transfers relate to the permanent transfer of actual income and expenditure from one part of the Council's accounts to another. These are usually a one-off transaction or involve the management of a temporary holding account.**

- 8.6.1 **Authority to Action Journal:** Only officers in the Finance Work Group are authorised to action journals on the Council's accounting system.
- 8.6.2 **Authorisation Limits:** Any individual journal item over **£100,000** must be formally authorised by a Finance Officer who sits on the Section 151 Group, who themselves did not create the journal, before the end of the period in which it is created.
- 8.6.3 **Application of Authorisation Limit:** This requirement only applies to journals with the "sub type" referenced to an individual Accountant, (i.e. excludes those automatically generated by the system and referenced GR – "reversing journals").

**8.7 OUTTURN**

**Outturn relates to the Authority's final income and expenditure position at the year-end, in relation to the budgets set.**

**Commitments relate to orders raised but where the goods or services have yet to be received. Accruals relate to goods or services received for which an invoice has not yet been paid.**

- 8.7.1 **Commitments and Accruals:** All commitments and accruals outstanding at the year-end must be reviewed by the budget holder to identify those for which expenditure or income is still anticipated, so that funding provision can be made which does not impact on the following year's budget.
- 8.7.2 **Carry Forward of Underspends:** Underspends will not be carried forward, unless agreed by the Executive committee when considering the overall outturn position.