

Summary:

As an organisation funded by the public we are governed by a number of Laws requiring us to safeguard public funds and act in a way that is open and accountable on how we spend money.

*Whilst all Council Members and Officers have a general financial responsibility, s151 of the Local Government Act 1972 specifies that one Officer in particular must be responsible for the **financial administration** of the organisation and that this Officer must be CCAB qualified. This is typically the Highest-ranking qualified finance officer and in Portsmouth City Council this is the Director of Finance & Information Services (s151 Officer), Chris Ward.*

Financial Rules are put in place by the s151 Officer so that Portsmouth City Council can meet all of its responsibilities under various laws. They set the framework on how we manage our financial dealings and are part of our City Constitution. They also set the financial standards that will ensure consistency of approach and the controls needed to minimise risks.

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Policy Author & Department	<i>Senior Accountant Corporate Finance</i>
Related Documents	<i>The Local Government Act 1972 amended 2003, The Local Government Finance Act 1988, The Local Government and Housing Act 1989, The Accounts and Audit Regulations (as amended).</i>
Applicability	<i>Financial Rules A-D applies to Members, Strategic Directors, Heads of Services and all Finance Staff of this Authority, or school equivalent and anyone acting on their behalf. This includes interims, temporary staff, contractors, consultants etc.</i>
Revision History	

Contents

Introduction	para.1.1	Page 4
Purpose	para.1.2	Page 4
Scope.....	para.1.3	Page 4
Statement of Policy.....	para.1.4	Page 4
Definitions.....	para.1.5	Page 5
Responsibilities.....	para.1.6	Page 6
Delegations.....	para.1.7	Page 6
Waivers.....	para.1.8	Page 6

Rules 8

PART 1 GENERAL OVERALL FINANCIAL RESPONSIBILITIES

A1	Budget Policy Framework.....	8
A2	Delegations, consultation and in year decisions.....	8
A3	Governance & Audit & Standards Committee responsibilities.....	8
A4	Scrutiny Management Panel responsibilities.....	9
A5	Scrutiny Panel responsibilities.....	9
A6	Security/ Use of Resources, Value for money.....	9
A7	Statutory Head of Paid Service responsibilities.....	9
A8	Monitoring Officer responsibilities.....	9
A9	S151 Officer statutory duties.....	10
A10	S151 Officer duties re stewardship and safeguarding.....	10
A11	S151 Officer re s114 responsibilities.....	11
A12	Directors responsibilities.....	11
A13	School Governors responsibilities.....	11

PART 2 FINANCIAL PLANNING

B1 & B2	Budget & Policy Framework.....	12/13
B3 to B6	Budget preparation and Budget Guidelines.....	13/14
B7 to B9	Reserves.....	14/15
B10 to B17	Capital Programme.....	15/17
B18 & B19	Resource Allocation (Capital & Revenue).....	17
B20 & B21	Medium Term Financial Planning (Revenue).....	18/19

PART 3 FINANCIAL MANAGEMENT

C1 to C4	Virement/ Variances.....	20
C5 to C8	In year changes to budgets.....	21/22
C9 to C11	Treatment of year end revenue balances.....	23/24
C12 to C14	Treasury Management.....	24/25
C15 to C20	Bank Accounts, Investment & Borrowing.....	25/26
C21 & C22	Budget monitoring & control.....	27/28
C23	Trust funds and funds held for third parties.....	28/29
C24 & C25	Maintenance of Reserves.....	29/30
C26	Government Grant Claims and External Funding.....	30/31

PART 4 FINANCIAL ACCOUNTING

D1 & D2	Accounting Policies.....	31/32
D3 & D4	Annual Statement of Accounts.....	32/33

D5 to D9 Accounting records & returns.....33/34

Appendices:

Appendix A Scheme of Delegation Proforma.....35
Appendix B MIS Rules36/39
Appendix C Financial Rule waiver/ Change in financial practice process & form-40/43

1.1 Introduction

1. As an organisation funded by the public we are governed by a number of Laws requiring us to safeguard public funds and act in a way that is open and accountable on how we spend money.
2. Whilst all Council Members and Officers have a general financial responsibility, s151 of the Local Government Act 1972 specifies that one officer in particular must be responsible for the financial administration of the organisation and that this officer must be CCAB qualified. This is typically the highest-ranking qualified finance officer and in Portsmouth City Council this is the Director of Finance & Information Services (s151 Officer), Chris Ward.

1.2 Purpose

1. To ensure the proper administration of the financial affairs of the Authority.
2. To ensure proper professional practices are adhered to.
3. To set key strategic and operational controls necessary to secure sound financial management.
4. To ensure that financial information is available to enable accurate and timely monitoring and reporting and allow comparisons of national and local financial performance indicators.
5. To promote sound financial practices in relation to the performance and development of Members and staff.

1.3 Scope

1. Compliance with these Rules is mandatory and maybe monitored without notice.
2. If there are any conflicts between these Rules and any Statute, Standing Order, Scheme of Delegation (PCC Scheme for Financing Schools), then the Statute, Standing Order or Scheme takes precedence and you are advised to alert the Chief Internal Auditor to the discrepancy.
3. Non-compliance and proposed action must be notified to the Chief Internal Auditor who will log the breaches and may report these to the Monitoring Officer and s151 Officer and Governance & Audit & Standards Committee.
4. Deliberate disregard for these Financial Rules will be seen as gross misconduct and dealt with accordingly through the disciplinary procedure.
5. Schools are required to abide by these Rules as stated in 2.1.1 of the Portsmouth City Council's Scheme for Financing Schools. If there is any conflict between the Scheme for Financing Schools and these Rules, the Scheme takes precedence. The Scheme for Financing Schools is based on the provisions of Sections 41 to 45 of the Education Act 2002.

1.4 Statement of Policy

Financial Rules are put in place so that Portsmouth City Council can meet all of its responsibilities as required by law. They are the framework on how we manage our financial dealings and are part of our City Constitution. They also set the financial standards that will ensure consistency of approach and the controls needed to minimise risks.

1.5 Definitions

Best Value

A duty to deliver services to clear standards, covering both cost and quality by the most effective, economic and efficient means available.

City Constitution

The City Constitution is the sum of all the rules governing the activities of members and officers. These Financial Rules are part of the Constitution, which is available on the Portsmouth City Council Website.

Expenditure Capital

Spending on something that will have a benefit for more than one year e.g. buying a building or a piece of land or expenditure on infrastructure. Please contact your Finance Manager if you need further advice.

Expenditure Revenue

Any other expenditure which is not capital expenditure as defined above. It is largely expenditure that is incurred in the provision of day-to-day activities. Please contact your Finance Manager if you need further advice.

Financial Appraisal

A financial appraisal is a document which sets out all the financial effects and associated financial risks of a proposed course of action and comparing them with the approved level of resources available. All financial appraisals must follow the guidelines approved by the s151 officer and each individual financial appraisal must be approved by the Finance Manager and in some circumstances the s151 Officer. Limits are set out in the Financial Services Scheme of Delegation.

General Fund

The revenue income and expenditure for all City Council activities except that relating to Council Housing is held in an account called the General Fund.

Housing Revenue Account

The law requires that all revenue income and expenditure associated with management and maintenance of council housing must be held in a separate account called the Housing Revenue Account.

Members Information Service (MIS)

Some powers are delegated to particular officers but for certain delegations these officers are required to inform Members of decisions they have made or are about to make and they do this via the Members Information Service (Commonly referred to in PCC as MIS). The proposal from the officer concerned is published in a weekly bulletin and circulated to all Members of the City Council. Approval to the proposal is deemed to be given unless a Member indicates within 7 days that they require the matter to be referred onto the Cabinet of the Council, or appropriate regulatory committee. MIS rules can be found at Appendix B.

Monitoring Officer

The Monitoring Officer has a statutory responsibility (Local Government and Housing Act

1989 Sections 5a) and b) and 2 a) and b)) to ensure that the Council acts in a lawful manner and that it does not do anything which might cause maladministration, or injustice to any individual. For PCC the Monitoring Officer is Peter Baulf.

Officer Delegations

Some City Council powers have been delegated by Members and/or statute to certain Officers. The delegations are set out in the City Constitution.

Prime Documents

The original document(s) that evidences the request for payment or supports the reason that payment has been made.

1.6 Responsibilities

1. Directors are responsible for ensuring that all staff in their service are aware of the existence and content of the Authority's Financial Rules and other internal regulatory documents, and that they comply with them. They must also ensure that an adequate number of copies are available for reference within their service, especially where staff do not have access to a computer.
2. The s151 Officer is responsible for ensuring that advice, guidance and training to support the Financial Rules is available to all Members, Officers and staff. It is a requirement that Managers ensure all staff are properly trained in Financial Rules requirements.

1.7 Delegations

1. Where Cabinet Members and Officers have been given responsibility for anything in these Rules, they may delegate these responsibilities to a relevant member of staff. If any delegations are made then Members and Officers are required to make and keep a written record and review and update them at least annually. A proforma for delegations is attached to these Rules at Appendix A.
2. *School Governors may choose to delegate financial responsibilities to the Head Teacher. Any such decisions must be reviewed annually and recorded in the minutes of the governing body.*
3. Where decisions have been delegated to other responsible officers, references to the Director in the Rules should be read as referring to them.

1.8 Waivers

1. The s151 Officer can allow exceptions (Waivers) to these Rules or changes in financial practice in certain cases. A proposed exception will only be considered if the officer who has requested it has shown that the risks have been formally considered and that these have been offset by other controls.
2. The circumstances where exceptions can be considered include:
 - It would not be in the best interests of the Council to apply the Rule or the financial practice,

- An emergency arises where the Rule or financial practice cannot be complied with for a short period of time, or on one occasion,
3. In these cases the Director or Line Manager seeking the Waiver must complete a formal request pro forma (Appendix C to these Rules) and submit it to the Chief Internal Auditor.
 4. The Chief Internal Auditor will comment on the risks and proposed actions and then forward to the s151 Officer for either his approval or rejection.
 5. *The submission of an exception request is no guarantee of its approval.*
 6. The Chief Internal Auditor will keep a written record of any authorised exceptions to enable the s151 Officer to determine whether any changes should be made to these Rules.
 7. Where an exception is granted that is applicable to all, notification will be made to Directors and third tier Managers.

RULES

PART 1 - GENERAL OVERALL FINANCIAL RESPONSIBILITIES (A1-A13)

A1 - Budget and Policy Framework and appointing a Statutory Financial Officer

- (a) The full Council is responsible for adopting the Authority's constitution and members' code of conduct and for approving the budget and policy framework within which the Cabinet operates.
- (b) The full Council is also responsible for approving, or amending and approving, the budget as endorsed by the s151 Officer and has a duty to consider the advice of the s151 Officer in relation to all financial matters.
- (c) The full Council has a duty to appoint a s151 Officer to have responsibility for the proper administration of the Council's Financial affairs and must ensure that the s151 and monitoring officers have access as necessary to meetings and papers in order to fulfill their statutory roles.
- (d) The full Council must provide the s151 Officer with sufficient staff, accommodation and other resources including legal advice where this is necessary to carry out their duties under s151 and s114 of the Local Government Act 1972.
- (e) The full Council must ensure that the protocol for the Role of the Chief Finance Officer /s151 Officer is adhered to.

A2 - Delegations, Consultation and in-year decisions

- (a) The Cabinet is responsible for discharging Cabinet functions in accordance with the Policy framework and budget.
- (b) Cabinet decisions can be delegated to a committee of the Cabinet, an individual Cabinet member or an officer.
- (c) Individual Cabinet members must consult with relevant officers before taking a decision within his or her delegated authority. When making a decision, the individual member must take account of legal requirements and legal and financial liabilities and risk management issues that may arise from the decision.
- (d) The Cabinet is responsible for taking in-year decisions on resources and priorities in order to deliver the budget and policy framework within the financial limits set by the Council and has a duty to consider the advice of the s151 Officer in relation to all financial matters.

A3 - Governance & Audit & Standards Committee responsibilities

- (a) The Governance & Audit & Standards Committee exercises overview and scrutiny functions in relation to audit issues, risk management and other general matters and reports to the Full Council.

- (b) The Committee is responsible for reviewing the external auditor's reports, their annual audit letter and the internal audit charter as well as the Chief Internal Auditor's annual report.

A4 - The Scrutiny Management Panel responsibilities

- (a) Scrutinising Cabinet decisions before or after they have been implemented and holding the Cabinet to account and
- (b) Managing the programme of Scrutiny Panels.

A5 - The Scrutiny Panels responsibilities

- (a) Scrutinising Cabinet decisions before or after they have been implemented and for holding the Cabinet to account.
- (b) For making recommendations on future policy options and for reviewing the general policy and service delivery of the Authority.

A6 - Security and Use of Resources/ Value for Money (vfm)

All Members, Staff and School Governors have a general responsibility for taking reasonable action to provide for the security of the assets under their control, and for ensuring that the use of these resources is legal, properly authorised and provides value for money.

A7 - Statutory Head of Paid Service responsibilities

- (a) The Chief Executive holds the statutory post of Head of Paid Service and is responsible for the corporate and overall strategic management of the Authority as a whole. He or she must report to and provide information for the Cabinet, the full Council, the overview and scrutiny committees and other committees. He or she is responsible for establishing a framework for management direction, style and standards and for monitoring the performance of the Authority.
- (b) The Chief Executive is responsible for proposing corporate plans to the Cabinet for consideration before their submission to the full Council for approval.
- (c) Ensuring the preparation of the Annual Governance Statement in consultation with the Leader of the Council.

A8- Monitoring Officer responsibilities

- (a) Promoting and maintaining high standards of conduct and therefore provides support to the Governance & Audit & Standards Committee,
- (b) Reporting any actual or potential breaches of the law or maladministration to the Full Council and/or to the Cabinet,
- (c) Ensuring that procedures for recording and reporting key decisions are operating effectively,
- (d) Making public the Cabinet decisions as well as the reasons for them. He or she must also ensure that members are aware of decisions made by the Cabinet and of those made by officers who have delegated Cabinet responsibility,

- (e) Advising all members and officers about who has authority to take a particular decision,
- (f) Maintaining the Constitution,
- (g) Refer decisions to Full Council.

A9- S151 Officer Statutory Duties

The s151 Officer has statutory duties in relation to the financial administration and stewardship of the authority, which cannot be overridden. The statutory duties arise from:

- (i) The Local Government Act 2003,
- (ii) Section 151 of the Local Government Act 1972,
- (iii) The Local Government Finance Act 1988,
- (iv) The Local Government and Housing Act 1989,
- (v) The Accounts and Audit Regulations (as amended)
- (vi) Case Law Attorney General v De Winton 1906
- (vii) The s151 Officer is the Chief Finance Officer as referred to in the Cipfa publication "The Role of the Chief Finance Officer" and must abide by these guidelines.

A10 - S151 Duties, Stewardship and Safeguarding responsibilities

- (a) The proper administration of the Authority's financial affairs,
- (b) Setting and ensuring compliance with Financial Rules,
- (c) Advising on the corporate financial position and on the key financial controls necessary to secure sound financial management,
- (d) Providing financial information,
- (e) Preparing a balanced revenue budget and capital programme,
- (f) Preparing a statement on the robustness of the revenue budget,
- (g) Treasury management and banking,
- (h) The control of all money in the hands of the Authority,
- (i) The opening and closing of bank accounts in the name of the Authority,
- (j) The operation of the Authority's accounting systems, the form of accounts and the supporting financial records. Any changes made by officers to the existing financial systems or the establishment of new systems must be approved by the s151 Officer before they are implemented.
- (k) Many of the day to day responsibilities may in practice be delegated or even outsourced but the Chief Finance Officer should maintain oversight and control.

A11 - S151 responsibilities re Section 114 of the Local Government Finance Act 1988

- (a) The s151 officer to report to the full Council, Cabinet and external auditor, after consultation with the Monitoring Officer, if the Authority or one of its officers:
 - (i) Has made, or is about to make, a decision which involves incurring unlawful expenditure,
 - (ii) Has taken, or is about to take, an unlawful action which has resulted or would result in a loss or deficiency to the Authority,
 - (iii) Is about to make an unlawful entry in the Authority's accounts.
- (b) The s151 officer must also make a report under this section if it appears that the expenditure of the Authority (including expenditure it is proposing to incur) in a financial year is likely to exceed the resources (including sums borrowed) available to meet that expenditure.
- (c) The s151 officer must nominate a properly qualified member of staff to deputise should he or she be unable to perform the duties under section 114 personally.

A12- Directors Responsibilities

- (a) The proper operation of financial processes in their own service in accordance with these Rules and the rest of the City Constitution,
- (b) Ensuring that Cabinet members are advised of the financial implications of all proposals and that the financial implications have been agreed by the s151 Officer,
- (c) Consulting with the s151 Officer and seeking approval on any matter liable to affect the Authority's finances materially, before any commitments are incurred,
- (d) Ensuring that their staff receives relevant financial training. (Please contact the Chief Internal Auditor or Finance Managers for advice if required),
- (e) Ensuring that they agree with the s151 Officer in advance, on any changes they wish to make to financial systems or procedures, in order to meet their own specific service needs. They must also ensure that staff under their control do not make any changes to financial systems and procedures without prior permission from the s151 Officer,
- (f) Ensuring that a proper scheme of delegation has been established within their area and is operating effectively. The scheme of delegation should identify staff authorised to act on the Director's behalf, in respect of committing expenditure, payments and income collection, together with the limits of their authority. (see proforma at Appendix A to these Rules)

A13 - School Governors responsibilities

- (a) *Adhering to PCC Financial Rules and Scheme for Financing Schools. They are also responsible for approving the school's budget. Deficit budgets may not be set unless agreed with the local authority and an approved recovery plan is in place.*
- (b) *The proper operation of financial processes in their own service in accordance with these Rules and the rest of the City Constitution,*

- (c) *Ensuring that their staff receive relevant financial training (Please contact the Children's Services Finance Manager for advice if required),*
- (d) *Ensuring that they agree with the s151 Officer in advance, on any changes they wish to make to financial systems or procedures, in order to meet their own specific service needs. They must also ensure that staff under their control do not make any changes to financial systems and procedures without prior permission from the s151 Officer,*
- (e) *Ensuring that a proper scheme of delegation has been established within their area and is operating effectively. The scheme of delegation should identify staff authorised to act on the School's behalf in respect of committing expenditure, payments and income collection, together with the limits of their authority.*

PART 2 FINANCIAL PLANNING (B1 - B21)

Financial Planning is assessing your business' financial situation, determining its objectives and formulating financial strategies to achieve them over the medium term.

B1 & B2 Budget & Policy Framework (please also refer to the City Constitution)

What it is

The Budget and Policy Framework sets out how decisions are taken including for example, which matters must be referred to full City Council for a decision and the parameters under which the Council will operate.

Overview

The Budget Policy Framework sets out a number of key parameters within which the Council must operate and includes:

- those decisions defined as "key decisions" which must be made by Council
- how budget headings are defined and the rules for Virement

B1- Full Council's responsibilities re approval and variations

- (a) The full Council is responsible for approving the Authority's budget and policy framework prepared in accordance with the S151 Officer's requirements. In terms of financial planning, the key elements are:
- (i) Corporate plans,
 - (ii) The Medium Term Financial Strategy,
 - (iii) The Annual Revenue Budget and Council Tax,
 - (iv) The Capital Strategy,
 - (v) The capital programme,

- (vi) The policy framework seeks to achieve the plans and strategies set out in the Corporate Plan.
- (b) The 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 regarded as being different to the budget or policy framework, are set out in the Budget and Policy Framework Procedure Rules.
- (c) The overall capital budgets and revenue budgets are drawn up by Directors, and the s151 Officer in consultation with the Administration then submitted for approval or amendment to the Full Council.

B2 - Housing Revenue Account (HRA)

The City Council has delegated responsibility for setting revenue budgets for the Housing Revenue Account (Council Housing) to the Cabinet member responsible for the Housing Portfolio. Budgets are therefore drawn up by the s151 Officer and relevant Directors in consultation with council tenants and leaseholders representatives and approved or amended by the Cabinet Member with responsibility for Housing.

(B3-B6) Budget Preparation and Budget Guidelines

What it is

Budget preparation is compiling prudent revenue and capital budgets for a period of at least one year covering all activities of the Council which ensures that at the end of that year there is still minimum general reserves in hand acceptable to the S151 Officer after all anticipated income and expenditure has been accounted for.

The Budget Guidelines prescribe how revenue and capital budgets are to be prepared throughout the Council.

Overview

The law requires the Council to set balanced revenue and capital budgets and it is vital that budgets are set that seek to achieve the City's aims as set out in the Corporate Plan. The Guidelines set out the timetable, format and key assumptions for budget preparation.

B3 - Full Council responsibilities re Medium Term Financial Strategy (MTFS), Budget amendments, Revenue Budget and Capital Programme approval

- (a) The full Council is responsible for approving the Medium Term Financial Strategy, prepared by the s151 officer, setting out the overall financial parameters within which the Council must operate.
- (b) The full Council may amend the budget put forward by the Cabinet or ask the Cabinet to reconsider it before approving it so long as it remains a balanced budget.
- (c) The general format of the revenue budget will be approved by the full Council and proposed by the Cabinet on the advice of the s151 Officer. It must include the

overall expenditure of the City Council analysed over each portfolio and other areas of expenditure. It should also demonstrate how that expenditure is to be financed from local taxation, government grants and general reserves,

- (d) The format of the Capital Programme will be approved by full Council and proposed by the Cabinet on the advice of the s151 Officer. It must be prepared for a five-year period and updated and approved annually. The programme should include the gross expenditure of each individual capital scheme. The Capital Programme should also provide an overall summary of gross expenditure by portfolio and how the gross capital expenditure for the Council will be financed from capital receipts, supported borrowing, unsupported borrowing, capital grants and contributions and revenue reserves.

B4 - S151 Officer Determination of Budget Rules & Guidelines and balanced budget

- (a) The s151 Officer will determine the rules under which the budget must be prepared,
- (b) Guidelines on budget preparation must take account of:
- (i) Legal requirements,
 - (ii) The City's Corporate Plan and supporting strategies (see B1),
 - (iii) Robustness of estimates
 - (iii) Minimum level of general reserves.
- (c) The s151 Officer is responsible for ensuring that balanced revenue and capital budgets are prepared on an annual basis for consideration by the Cabinet before submission to the full Council.

B5 - Budget estimate Directors responsibilities

It is the responsibility of Directors to prepare budget estimates reflecting agreed service plans in line with guidance and financial limits issued by the Council.

B6 - Budget responsibilities School Governors and Head Teachers

It is the responsibility of Governors and Head Teachers to ensure that budgets reflect School improvement plan priorities. Budgets must be set in line with the requirements set out in the Scheme for Financing Schools.

B7-B9 Reserves

What it is

Unused financial balances in hand at the end of the financial year generated by any accumulated surpluses from previous years.

There are two types of reserves:

- General reserves
- Earmarked reserves which are reserves earmarked for a particular purpose or for a particular Portfolio

Overview

It is vital to maintain sufficient reserves to meet any unforeseen and unavoidable need to spend based on an analysis of the financial risks facing the City Council.

B7 - Full Council responsibilities re levels and use of general reserves

- (a) Agreeing the levels of general reserves based on the s151 Officer's advice, which includes the financial risks facing the City Council.
- (b) Authorising the use of any general reserves on the s151 Officers advice, which is outside the Council's approved budget.

B8 - S151 Officer, Cabinet, Council & Portfolio holders responsibilities re prudent levels of reserves, establishing & use of earmarked reserves.

- (a) The s151 Officer must advise the Cabinet and the full Council on prudent levels of reserves for the Authority based on an analysis of the financial risks facing the City Council.
- (b) Each Portfolio Holder may retain 100% of any year-end under spending to be held in an earmarked reserve for the relevant Portfolio.
- (c) The s151 Officer may also establish earmarked reserves as required for a future anticipated event and may authorise its use for that purpose.
The use and application of Portfolio Earmarked Reserves must be approved by the relevant Portfolio Holder in consultation with the s151 Officer.
- (d) Any retained underspend (held in an earmarked reserve) be used in the first instance to cover the following for the relevant Portfolio:
 - (i) Any overspendings at the year-end
 - (ii) Any one-off budget pressures experienced by a Portfolio
 - (iii) Any on-going budget pressures experienced by a Portfolio whilst actions are formulated to permanently mitigate or manage the implications of such on-going budget pressures
 - (iv) Any items of a contingent nature that would historically have been funded from the Council's corporate contingency provision
 - (v) Spend to Save schemes, unless they are of a scale that is unaffordable by the earmarked reserve (albeit that the earmarked reserve may be used to make a contribution)

Once there is confidence that the instances in i) to v) above can be satisfied, the earmarked reserve may be used for any other development or initiative.

- (e) The Cabinet has delegated authority from the Council (February 2013) to make releases from the MTRS Reserve for Spend to Save or Spend to Avoid cost schemes only (both Revenue & Capital) and that any such scheme must meet the financial savings criteria determined by the s151 Officer. As a minimum, those criteria must include the payback of any investment within a period not exceeding 4 years.

- (f) The s151 Officer has delegated authority from the City Council (Feb-19) to make transfers to/from reserves in order to ensure they are maintained as necessary and in particular adjusted when reserves are no longer required or need to be replenished.

B9 - School Governors responsibilities re levels of uncommitted balances

School Governors must ensure that whilst it is prudent to keep a reasonable contingency, schools should not keep excessive uncommitted balances. Department for Education (DfE) guidance is that levels of uncommitted balances should not exceed 8% of budget share for primary and special schools and 5% for secondary schools.

B10 - B17 Capital Programme

What it is

Capital expenditure (including use of capital grants and PFI/PPP projects) involves acquiring or enhancing fixed assets with a long-term value to the Authority, such as land, buildings, and major items of plant, equipment or vehicles. Capital assets shape the way services are delivered in the long term and create financial commitments for the future in the form of financing costs and revenue running costs. Legislation also requires that any borrowing decisions to finance Capital Investment are affordable, sustainable and prudent.

Overview

Central Government places strict controls on the financing capacity of the Authority. This means that capital expenditure should form part of a capital investment strategy and should be carefully prioritised in order to maximise the benefit of scarce resources.

B10 - Full Council responsibilities re approval of the allocation of funds

The City Council (except in the circumstances set out in B14 & B15) will approve the allocation of funds for all capital schemes proposed as part of the approval of the Capital Programme.

B11 (& see MIS Rules) - Commencement of approved schemes

The Capital Programme contains details of approved financing for capital Schemes. Any approved scheme of any value can only commence following:

- (i) Approval by the s151 officer or his delegated representative of a full and proper financial appraisal
- (ii) Consultation of the detailed scheme with the relevant Portfolio holder.

B12 - Approved Limits

- (a) If tenders received or land acquisition costs fall within the limits of the approved financial appraisal, the Director is authorised to accept them.
- (b) If at any stage the cost of the scheme exceeds the limit of the approved financial appraisal, a report must be taken to the Portfolio holder together with details of

how the excess costs will be funded. If the excess costs can be funded from equivalent savings within the Portfolio without any detrimental effect to schemes within the Council's approved capital programme, approval rests with the s151 Officer.

- (c) The S151 Officer will have the right to refer any excess costs to the City Council.
- (d) If resources to fund the overspending are not available within the Portfolio, a request for consideration for corporate funding should be made:
 - (i) In the event that additional corporate capital funding required is less than £100,000 this can be approved by the s151 Officer and reported on MIS
 - (ii) In the event resources required are over £100,000 approval must be gained from the City Council (which may include MIS if it is within the MIS limits)

N.B. Refer also to Financial Rule C2:

"Under spending within an approved capital scheme cannot be redirected to new capital schemes but can be vired to schemes elsewhere within the capital programme with the approval of the s151 Officer. Any virement must not be used for expanding the scope of an existing approved capital scheme."

B13 - New Schemes Approved "in -year".

A new "In Year" capital scheme requiring corporate capital resources needs:

- (i) A full financial appraisal authorised by the s151 officer or his delegated representative,
- (ii) A recommendation from the s151 officer,
- (iii) Approval of the detailed scheme by the Portfolio holder and Cabinet,
- (iv) Approval of the City Council.

B14 - Prudential Borrowing s151 authorisation

- (a) The s151 officer can authorise capital expenditure on any capital scheme funded by prudential borrowing up to £50,000 in the following circumstances:
 - (i) the scheme meets the requirements of an invest to save scheme,
 - (ii) a detailed scheme has been prepared,
 - (iii) the s151 officer or his delegated representative has authorised a full financial appraisal
 - (iv) any additional revenue costs including debt servicing costs can be funded by the revenue savings that it generates over the medium term.
- (b) Any such decisions will be submitted to Members for information by MIS.
See MIS Rules appended to these Rules.

B15 - s151 authorisation re Capitalising existing Revenue Expenditure

The s151 Officer can capitalise existing revenue expenditure and finance from any source of capital finance without reference to Members if:

- (i) The expenditure meets the statutory definition of capital expenditure
- (ii) A financial appraisal approved by the s151 officer demonstrates that it is in the City Council's best financial interests

B16 - Bidding for Grants

Directors must consult with the s151 Officer or his/her representative and consult with their relevant Portfolio holder where it is proposed to bid for grants issued by Government Departments or others to support expenditure that has not been included in the current year's capital programme

B17 - Credit Arrangements/ Leases

Credit arrangements e.g. finance lease arrangements must not be entered into without the prior approval of the s151 officer and if applicable approval of the scheme through the capital programme.

Schools may not enter into finance leases without the express permission of the Secretary of State (For advice as to the nature of a lease agreement please contact the Children's Services Finance Manager).

B18 & B19 Resource Allocation (Capital and Revenue)**What it is**

A mismatch often exists between available resources and required resources. A common scenario is that available resources are not adequate to fulfil need/desire. Resource allocation is therefore the alignment of resources to corporate priorities on a sustainable basis. Resources may include staff, money, equipment, goods and materials.

Overview

It is therefore vitally important that requirements are carefully prioritised and that resources are fairly allocated, in order to fulfil all legal responsibilities and Council objectives.

B18 - S151 Officer responsibilities re Process, Advising and Allocation of Resources

- (a) The s151 Officer is responsible for developing and maintaining a resource allocation process through the preparation, and Council approval, of a Medium Term Financial Strategy, which takes account of the full Council's policy framework, legal constraints corporate priorities and statutory obligations.
- (b) Must advise on funding methods available and their quantum, such as Council Tax, grants from Central Government and borrowing requirements.
- (c) Must ensure that approved budgets and cash limits are allocated to Heads of Services

B19 - Directors, School Governors and Head Teachers Responsibilities re delegation, acquiring and use of resources

- (a) Must ensure that they have a scheme of delegation which includes any delegation of the budget or cash limit to other officers. See Proforma appended to these Rules.
- (b) Resources are only acquired in accordance with the law and using an approved authorisation process,
- (c) Resources are used only for the purpose intended, to achieve the approved policies and objectives, and are properly accounted for,

- (d) Measures are in place to ensure that resources are safeguarded and available for use when required,
- (e) Resources are put to the optimum use,
- (f) Must work within approved budgets and to utilise resources in the most efficient, effective and economic way.

B20 & B21 Medium Term Financial Planning (Revenue)

What it is

The City Council is a large organisation responsible for delivering a wide variety of services. It needs to plan effectively and to develop systems to enable scarce resources to be allocated in accordance with carefully weighed priorities. The Medium Term Financial Plan sets out the financial parameters within which the Council will deliver its plans and policies over the medium term. It also defines the financial framework that will support the delivery of those plans and policies.

Overview

The revenue budget must be constructed so as to ensure that resource allocation properly reflects the service plans and priorities of the full Council. Budgets (spending plans) are needed so that the Authority can plan, authorise, monitor and control the way money is allocated and spent. It is illegal for a local authority to budget for a deficit. Medium-term planning over three years involves a planning cycle in which managers develop their own plans. Business plans should be prepared for a three-year period and should drive and be aligned with the medium term budget. As each year passes, another future year will be added to the medium term plan. This ensures that the Authority is always preparing for events in advance.

B20 - S151 Responsibilities re Medium Term Financial Planning

- (a) To prepare and submit reports on budget forecasts, to the Cabinet and Council, including resource constraints set by the government. Reports should take account of medium term prospects and overall implications of the general reserves over the medium term.
- (b) To prescribe the detailed format for the preparation of revenue estimates, for submission and approval by the full Council, in accordance with the Council's general directions.
- (c) To work with the Cabinet/ Member for Housing to prepare a balanced and robust budget for the forthcoming year identifying all budget pressures and savings proposals including the implications of those savings to service delivery and performance targets, identifying, where appropriate, the implications for the level of Council Tax to be levied and the level of housing rents/service charges
- (d) To advise on the medium term implications of spending decisions.

- (e) To encourage the best use of resources and value for money by working with Directors to identify opportunities to improve economy, efficiency and effectiveness, and by encouraging good practice in conducting financial appraisals of development or savings options, and in developing financial aspects of service planning.
- (f) To advise the full Council on Cabinet proposals in accordance with his responsibilities under section 151 of the Local Government Act 1972.
- (g) To advise Full Council on the robustness of the estimates included in the budget made for the purposes of setting the Council Tax and the adequacy of proposed financial reserves.
- (h) To prepare detailed estimates of income and expenditure, which underpin and are balanced to the cash limits approved by Council and to have these estimates approved by the relevant Cabinet Member.
- (i) Must involve the named budget holders in the preparation of the budgets for which those budget holders will be held responsible as part of the budget cycle.

B21 - Responsibilities of Directors, School Governors and Head Teachers re Service Plans, Budget Requirements, Accountability and Monitoring.

- (a) To take into consideration the Council's overall Medium Term Financial Plan when developing service business plans.
- (b) In accordance with the laid-down guidance and timetable issued by the S151 Officer, to prepare detailed draft revenue proposals and capital bids for consideration by the Cabinet and scrutiny committees.
- (c) When drawing up draft budget requirements, to have regard to:
 - (i) Spending patterns and pressures revealed through the budget monitoring process,
 - (ii) Legal requirements,
 - (iii) Policy requirements as defined by the full Council in the approved policy framework,
 - (iv) Initiatives already under way,
 - (v) Revenue consequences of capital expenditure,
 - (vi) Inflation,
 - (vii) Strategies for time limited funding,
 - (viii) Efficiencies.
- (d) Must accept accountability within delegations set by the Cabinet (Head Teachers within delegations set by their governing body) for their budgets and the level of service to be delivered.
- (e) Must ensure that a monitoring process is in place to keep the services finances under review and to ensure that any corrective action is taken in order to remain within the service cash limit.

PART 3 FINANCIAL MANAGEMENT (C1- C26)

C1-C4 Virement/ Variances

What it is

Virement is the switching of resources between approved budget headings. For Capital Virements see also B12.

Overview

The scheme of virement is intended to enable the Cabinet, Directors, School Governors, Head Teachers and their staff to manage budgets with a degree of flexibility within the overall budget and policy framework determined by the full Council, but also to allow the flexibility of resources to be re-focused towards changes in priorities.

Budget headings and amounts allocated to those headings, are determined as part of the annual budget preparation approval process. Managers are expected to stay within their overall portfolio cash limits for all the budget headings within their control. This may involve moving amounts between budget headings within that portfolio or between portfolios with the approval of the s151 Officer.

C1 - Full Council approval for variations from the scheme.

Virements are administered by the s151 Officer in accordance with the Budget and Policy Framework Procedure Rules. Any variation from this scheme requires the approval of the full Council.

C2 - Under and Overspendings on Capital Schemes

Under spending within an approved capital scheme cannot be redirected to new capital schemes but can only be vired to meet overspends on schemes elsewhere within the capital programme with the approval of the s151 Officer. Any virement must not be used for expanding the scope of an existing approved capital scheme (see also B12).

C3 - Directors delegated authority re Virement

- (a) Directors have delegated authority to vire from one budget head to another within their own service in agreement with the relevant Finance Manager
- (b) Where it is proposed to vire between budgets managed by different Directors or different Portfolios, the approval of the s151 Officer or his representative is required in consultation with the relevant Director and/or Portfolio holders.

C4 - Directors delegated authority re Routine and Non- Routine Expenditure.

- (a) Directors have delegated authority to incur committed routine expenditure within their approved revenue budget. Routine expenditure is any expenditure incurred

to meet the day- to day operational requirements of the service, or any specific approved budget pressure.

- (b) Directors wishing to incur expenditure on any other specific item must seek agreement from the relevant Portfolio Holder before incurring that expenditure. If in any doubt contact your relevant Finance Manager.
- (c) Non –routine expenditure will generally be outside your approved business plan and be characterised as expenditure outside your approved business plan.

C5 - C8 In year changes to budgets

What it is

In contrast to virements which simply transfer budgets from one heading to another within the overall cash limit, in year increases and decreases to cash limits can arise from:

- (i) releases from contingency e.g. for unplanned or unknown events
- (ii) windfall costs or savings
- (iii) transfers from reserves

Overview

In order to respond to unknown events or emerging priorities the Council needs to have the ability to flexibly adjust cash limits.

C5 - Directors responsibilities re in-year changes to budgets.

- (a) Directors are expected to exercise their discretion in managing their budgets responsibly and prudently. For example, they should not support recurring revenue expenditure from one-off sources of savings or additional income, or creating future commitments, including full-year effects of decisions made part way through a year, for which they have not identified future resources. Directors must plan to fund such commitments from within their own budgets.
- (b) Where an approved budget (a lump sum budget or contingency) is intended for allocation during the year, expenditure maybe incurred without further approval, provided that:
 - (i) The amount is used in accordance with the purpose, for which it has been established,
 - (v) The Cabinet has approved the basis and the terms, including financial limits, on which it will be allocated. Individual allocations in excess of the financial limits should be reported to the Cabinet.

C6 - S151 Officer authorisation re Central Contingency.

- (a) S151 Officer is authorised to release up to £25,000 from central contingency without further reference.

- (b) Approval of the Section 151 Officer is required where the release of a sum of up to £50,000 from central contingency is needed and a report of the action taken put on MIS.
- (c) Where release of a sum over £50,000 from central contingency is required, the Section 151 Officer is required to consult with the Leader of the Council and report the action taken on MIS.

C7 - Windfall Savings & Windfall Costs

- (a) Windfall costs are defined as those costs where the manager has little or no influence or control over such costs and where the size of those costs is high in relation to the overall budget controlled by that manager. Windfall costs therefore are ordinarily met corporately from the Council's central contingency.
- (b) Windfall savings are those savings that occur fortuitously without any manager action and all such savings accrue to the corporate centre.
- (c) Windfall savings must accrue to general reserves.
- (d) Council-wide savings of more than £10,000 arising from any initiatives are treated as windfall savings even though the saving on individual Portfolios may amount to less than £10,000. If the Council-wide saving amounts to less than £10,000 then the savings are retained by individual Portfolios.
- (e) Windfall savings or additional income exceeding £10,000 cannot be used for any other purposes but must be reported through the quarterly budget monitoring process to the Cabinet and the whole of the saving taken to general reserves and balances.
- (f) The following is a schedule of windfall budgets examples and any others as determined by the s151 Officer:

All Portfolios

- Savings achieved by the Procurement Team on Council-wide initiatives/contracts (savings achieved by Procurement as the result of an initiative of a Director would not be treated as a windfall saving)
- income from the introduction of a new statutory charge
- Rent income- additional rent income following a rent review not allowed for within the budget

Other Services

- Increased planning fee income
- Housing Benefits Rent Allowances /Rent Rebates
- Housing Benefits- Homelessness
- Housing Benefits subsidy
- Homelessness
- Statutory Audit fee
- Land charges fee income
- Building control fee income

- (g) The de-minims level of £10,000 applies to budgets in total and not to individual budget heads within separate cost centres (e.g. premises, supplies and services etc) or to individual transactions within a budget head (e.g. individual rent increases within a total budget head for rents). In the reverse situation, any excess costs or reduced income in respect of the above budget which are below £10,000 should be absorbed within the Portfolios cash limit. For excess costs above £10,000 where the Head of Service concerned is unable to meet such increases from within the cash limit, consideration will be given by the s151 officer to meeting the shortfall from the Council's central contingency.

C8 - School Governors responsibilities re Virement and expenditure limits.

School Governing bodies should agree the virement and expenditure limits for Head Teachers, above which the governing body or finance sub-committee must give approval. These virement limits should be formally minuted at the Governors meeting.

C9-C11 Treatment of year-end revenue balances

What it is

The underspend or overspend against the revised budget.

Overview

Services are permitted to request that any forecast underspend be carried forward to be available in the following financial year. Any request should be for items of expenditure which were planned to occur in the current year and which will not now occur until a future year. Carried forward requests can only be made as part of the budget process. Any requests after the budget process will not be considered. Any overspendings against a Portfolio's revised cash limit will be deducted from their following year's cash limit. This will enable services to plan their expenditure over financial years.

C9 - Full Council re Carrying Forward of Under and Overspendings Policy

The full Council is responsible for agreeing policy for the carrying forward of under and overspendings on budget headings.

C10 - S151 Administering Policy and Reporting

- (a) To administer the scheme of carry forward within the policy approved by the full Council.
- (b) To report all overspendings and underspendings on service cash limits to the Cabinet and to the full Council.
- (c) The S151 Officer can exercise discretion on clawbacks in exceptional circumstances and will report this to the Council as part of the Outturn Report.

C11 Directors carrying forward underspends

- (a) In general all Service surpluses (as a result of under spends) shall be retained for the benefit of the Portfolio by the relevant Portfolio Holder.
- (b) However, subject to S151 approval Directors can carry forward underspends to the following year providing it is incorporated into the timetable for the Annual Budget Report. Carried forward requests made after approval of the Annual Budget Report will not be considered.
- (c) *Schools will carry forward from year to year any surplus or deficit balances. Each year, the school governing body will report on the proposed use for surplus balances and the Local Authority will make a consolidated report publicly available.*

C12- C14 Treasury Management

What it is

Treasury Management is the management of the Council's cash flows, banking arrangements, borrowings and investments in a way that effectively controls risk. It is also about minimising the cost of borrowing and maximising the return on investments, but this is secondary to effective risk management.

Overview

Many millions of pounds pass through an Authority's accounts each year therefore the flow of money in and out of the authority's accounts needs to be regulated to make sure that our investments are made in accordance with the following criteria and in the following order:

- Secure- not placed at undue risk;
- Liquid- readily available to meet Council's cash flow obligations
- Yield - to make sure we receive optimum return on any surplus balances.

C12 - Responsibilities re Code of Practice, Policy and Statement

- (a) The Authority adopts CIPFA's Code of Practice for Treasury Management in Local Authorities.
- (b) The full Council is responsible for approving the Treasury Management Policy Statement setting out the matters detailed in CIPFA's Code of Practice for Treasury Management in Local Authorities. The policy statement is proposed to the full Council by the Cabinet.
- (c) The s151 Officer has delegated responsibility for implementing and monitoring the policy statement.

C13 - S151 Officer responsibilities re Treasury Management Strategy

- (a) The s151 Officer is responsible for reporting to the Cabinet a proposed treasury management strategy for the coming financial year at or before the start of each financial year.

- (b) The s151 Officer is responsible for reporting to the Cabinet twice each financial year on the activities of the treasury management operation and on the exercise of his delegated treasury management powers. One such report will comprise an annual report on treasury management for presentation by 30 September of the succeeding financial year.
- (c) To arrange borrowings and investments for the authority in such a manner as to comply with the CIPFA Code of Practice on Treasury Management, and the Authority's Treasury Management policy statement and strategy.
- (d) Council funds must be aggregated for strategic management purposes and under the control of the S151 Officer, except for those schools who have opted to maintain their own separate bank account for their own funds.

C14 - School Governor & Head Teachers compliance re borrowing

Schools must comply with the Portsmouth City Council's Scheme for Financing Schools which states, among other things, that (3.6) School governing bodies may only borrow external monies (i.e. outside the City Council) with the written permission of the Secretary of State.

C15 - C20 Bank Accounts, Investment and Borrowing

C15 - S151 Officer responsibilities re bank accounts, investments and borrowing

- (a) To negotiate with the Council's bankers and to open and operate bank accounts as are considered necessary. All accounts must be in the name of the Authority. To arrange for overdraft and other facilities considered reasonable provided it is in accordance with the Local Government Act 2003.
- (b) To ensure that adequate security arrangements are in place for the control, printing and issuing of cheques.
- (c) To ensure that all investments of money are made in the name of the Authority or in the name of nominees approved by the full Council.
- (d) To ensure that all securities that are the property of the Authority or its nominees and the title deeds of all property in the Authority's ownership are held in the custody of the appropriate Head of Service.
- (e) To raise loan monies to meet the expenses of the Council in the medium term.
- (f) To effect all borrowing and investments in the name of the Authority.
- (g) To act as the Authority's registrar of stocks, bonds and mortgages and to maintain records of all borrowing of money by the Authority.
- (h) Cheques drawn on the Council's main bank accounts and imprest accounts (other than schools) must bear the facsimile of the s151 Officer's signature.

C16 - S151 Officer spot payment checks

Payments for more than £50,000 will be subject to spot checks by the s151 or delegated officer who must satisfy themselves that the expenditure appears genuine and reasonable.

C17 - S151 Officer reconciliation of Bank Statements

Bank Statements for the Council's main payment and receipt bank accounts must be obtained on a daily basis and promptly reconciled to the Council's records of transactions and reconciled to ledger postings at least monthly. Any discrepancies must be immediately investigated and reported to the s151 Officer. *Schools item 3.5.1 of the Scheme for Financing Schools in this context.*

C18 - Facsimile Signatures on Blank Cheques

Cheques held as controlled stationery that are blank (i.e. cheques with no amount or detail completed or facsimile signature) must not be pre-signed or counter signed.

C19 - Directors / School Governors/ Head Teachers re not overdrawn on accounts and separation of duties

- (a) Directors and Schools who have control of their own bank accounts must work to arrangements approved by the S151 Officer, and must ensure that accounts do not become overdrawn. For Schools a list of approved banking institutions is set out in the Scheme for Financing Schools.
- (b) Schools have a right to have separate official and unofficial accounts. Accounts must be audited. Where used, both sides of a transaction must be accounted through the same bank account e.g. you cannot buy goods through the official account and sell through the unofficial account. VAT on the unofficial account cannot be reclaimed unless the account is separately registered for VAT.
- (c) Duties must be separated so that those responsible for drawing or paying monies in do not undertake the reconciliation.

C20 - Directors / School Governors/ Head Teachers no loans to third parties

Must ensure that loans are not made to third parties, (including staff unless as part of a PCC approved scheme or as authorised by S151 Officer- see expenses) and that interests are not acquired in companies, joint ventures or other enterprises without the approval of the Cabinet (or if contrary to the Budget & Policy Framework the approval of full Council).

C21 & C22 Budget Monitoring & Control**What it is**

It is part of sound financial management and is about forecasting, monitoring and managing financial performance.

Overview

Proper budget management ensures that, once the budget has been approved by the full Council (or school governing body in the case of schools), resources are used for their intended purposes (for schools this means that the school curriculum budget is not used to support extended school activities) and are properly accounted for. Budgetary control is a continuous process, enabling the Authority 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 Authority can identify changes in trends and resource requirements at the earliest opportunity. The Authority itself operates within an annual cash limit, approved when setting the overall budget. To ensure that the Authority, in total does not overspend, each service is required to manage its own expenditure within the cash limited budget allocated to it.

Directors are expected to exercise their discretion in managing their budgets responsibly and prudently. For example, they must not incur additional on-going expenditure for which they do not have an on-going funding source.

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 may take place at a more detailed level if this is required by the Scheme of Delegation to officers.

The Council receives a report on its overall financial position every quarter, including a forecast of its expected year end position.

C21 - S151 Officer re provision of information, Budgetary Framework and reporting on budgets not balanced.

- (a) The S151 Officer is responsible for ensuring the provision of appropriate financial information to enable budgets to be monitored effectively. He must manage overall expenditure and income against budget allocations and report to the Cabinet and Council on the Council's overall position on a regular basis.
- (b) To establish an appropriate framework of budgetary management which ensures that:
 - (i) Budget management is exercised within annual cash limits unless the full Council agrees otherwise,
 - (ii) Each Director has available timely information on expenditure and income on each budget which is sufficiently detailed to enable them to fulfil their budgetary responsibilities,
 - (iii) Expenditure is committed only against an approved cash limit,
 - (iv) Officers responsible for committing expenditure comply with relevant guidance and Financial Rules,
 - (v) Each cost centre has a single named accountable manager. As a general principle, budget responsibility should be aligned as closely as possible to the decision making processes that commits expenditure, as determined by the relevant Director.

- (vi) Significant variances from approved budgets are investigated and reported to Directors by budget managers regularly.
- (c) To submit reports to the Cabinet and to the full Council, in consultation with the relevant Portfolio holder and Director, where a Portfolio is unable to balance expenditure and resources within existing approved budgets under his or her control.

C22 - Directors: cash limits, budget review and actions to correct over/under spends

- (a) Directors are not authorised to exceed their annual cash limit.
- (b) Directors should review budgets on at least a monthly basis focusing on projected year-end variances which will be reported to Portfolio Holders, the Cabinet and City Council on a quarterly basis.
- (c) All overspendings that cannot be contained within cash limits, together with any projected underspendings resulting in a net excess of £50,000 will be brought to the immediate attention of the relevant Finance Manager.
- (d) Action plans to address potential overall service overspendings and proposed use of significant underspendings will be produced by the Director, in consultation with the Finance Manager, for approval by the Section 151 Officer through the quarterly budget monitoring process or earlier if significant and necessary.
- (e) Prior approval of the Cabinet and Full City Council is required for any proposals that have the effect of increasing the overall approved City Council budget or approved future years forecast by:
 - (i) Creating financial commitments in future years
 - (ii) Changing existing policies, initiating new policies, or ceasing existing policies
 - (iii) Materially extending or reducing the Authority's services.

C23 Trust Funds and Funds Held for Third Parties

What it is

Trust Funds and funds held for third parties are where the City Council becomes the nominal owner of income and assets to be used for another's benefit.

Overview

The City Council is responsible for the financial stewardship of any income or assets administered by it as either trustees or for any third parties generally.

C23 - Responsibilities of City Solicitor, S151 Officer & Directors

- (a) To arrange for all trust funds to be held, wherever possible, in the name of the Authority. All officers acting as trustees by virtue of their official position shall deposit securities, etc. relating to the trust, with the S151 Officer, unless the deed otherwise provides.

- (b) Funds must be operated within any relevant legislation and the specific requirements of each trust.
- (c) Where unofficial funds are held on behalf of third parties, to arrange for their secure administration, including an annual audit, and to maintain proper accounting records in accordance with guidance issued by the S151 Officer.

C24 & C25 Maintenance of Reserves

What it is

There are generally two types of reserves: 1. General reserves and 2. Earmarked reserves. General reserves are maintained in order to avoid the Authority's financial position falling into deficit. Earmarked reserves are set aside for a specific purpose or event that is likely to occur in the future.

Overview

General reserves need to be maintained at a level that is consistent with the Council's risk profile.

C24 - Responsibilities for maintenance, purpose and prudent levels

- (a) Reserves must be maintained in accordance with the relevant codes of practice on local authority accounting in the United Kingdom and agreed accounting policies.
- (b) The s151 Officer is responsible for the overall management of reserves.

General Reserves

- (c) The s151 Officer has a statutory responsibility to advise the Cabinet and full Council on prudent levels of reserves for the Authority, based on best practice and in particular with regard to the overall level of financial risks facing the Authority.
- (d) A minimum level of revenue reserves must be specified within the budget report. The Local Authority must take full account of this information when setting the budget requirement.
- (e) Should the level of reserves fall below the minimum sum approved by Full Council, either arising from an overspend in the previous year or the current year, the s151 Officer has a duty to report this to the Council with recommendations as to the actions that should be taken to rectify the shortfall.

Ear Marked Reserves

- (f) For each reserve established, the purpose, usage and basis of transactions should be clearly identified.

- (g) The establishment of reserves and incurring of expenditure from reserves should be authorised by the s151 Officer.

C25 - Directors use of reserves

To ensure that reserves are used only for the purposes for which they were established.

C26 Government Grant Claims and External Funding

What it is

Government grants and other external funding provide additional resources to enable the Authority to deliver services to the local community.

Government grants can be either ring fenced or non-ring fenced. Non ring-fenced grants are available for use on general expenditure without restriction. Ring-fenced grants are provided for specific policy purposes and need to be used in accordance with the terms and conditions of the grant.

Generally grants are received either via a specific bid from the Authority or can be part of the general national funding framework allocated on a formula basis.

Overview

It is important that we identify those grants that we are entitled to and that will help us meet our objectives without diverting resources from other priority areas.

Before applying for a grant we must make sure that we can meet the requirements of the grant, the deadline for claims and make arrangements to maintain the appropriate supporting documentation to the required standard.

It is also important that for any time limited grants the Council has identified a strategy for exit, mainstreaming or sustaining the activity for when the grant ceases to be paid.

C26 - Received, recording, records, overheads, forecast & match funding

- (a) The s151 Officer is responsible for ensuring that all funding notified by external bodies is received and properly recorded in the Authority's accounts.
- (b) Must ensure that supporting accounting records are sufficient to show the Authority's transactions. That they are maintained in accordance with proper practices and kept up to date, including a record of income and expenditure in relation to claims and returns.
- (c) Must ensure that wherever possible there are separate Cost Codes for each grant claim return and controls over posting from other financial systems and journals. If a separate code is not possible then a properly detailed audit trail must exist.

Transactions must be properly authorised, coded and the totals for each code properly accumulated.

- (d) Must be able to demonstrate that the supporting accounting records are sufficient to show the Authority's transactions, are maintained in accordance with proper practices and kept up to date.
- (e) Must agree consistent and equitable policies for the treatment of e.g. overheads, support services, pension costs and capital charges across all claims and returns that do not include specific instructions.
- (f) Where the grant is paid in installments based on the Authority's estimates of entitlement, the S151 Officer must ensure that forecasts are reasonable and realistic to avoid cash flow difficulties arising from under estimation.
- (g) That where funding has been passed to third parties it has been used for the intended purpose.
- (h) Must also ensure that procedures are in place to ensure that claims and returns are:
 - (i) Completed accurately and in accordance with the scheme terms and conditions,
 - (ii) Completed on time and deadlines are met,
 - (iii) Supported by adequate working papers, which stand up to proper scrutiny
 - (iv) Is certified in accordance with the grant of funding conditions.
- (i) Where match funding is required in order to access the grant the S151 Officer or his representative has identified an approved source of that funding.

PART 4 FINANCIAL ACCOUNTING (D1 - D9)

For further Information regarding Financial Accounting please contact your Finance Manager.

D1 & D2 Accounting Policies

What it is

These are the policies which set out how we record and account for our finances.

Overview

There are a number of legislative proper practices that we are required to follow. We must make sure that our records are set out in the format required by the relevant codes of practice on local authority accounting in the United Kingdom, for each

financial year ending 31 March. The preparation and presentation of our Financial Statements is crucial to the Council's public accountability.

D1 - S151 Officer; Accounting Policies Key Controls & Code of Practice

- (a) The s151 Officer must ensure that the accounting policies achieve the following key controls:
- (i) Systems of internal control are in place that ensure that financial transactions are lawful,
 - (ii) Suitable accounting policies are selected and applied consistently,
 - (iii) Proper accounting records are maintained,
 - (v) Financial statements are prepared which represent a true and fair view of the state of the Council's affairs.
- (b) The s151 Officer must also select suitable accounting policies and ensure that they are applied consistently. The accounting policies must be prepared in accordance with the Code of Practice on Local Authority Accounting.

D2 - Directors, School Governors, Head Teachers & Finance Staff to comply with Accounting Policies.

To adhere to the accounting policies and guidelines approved by the S151 Officer and to supply the S151 Officer information in that format.

D3 & D4 Annual Statement of Accounts

What it is

The Statutory financial statements of the Authority for the year. These include:

- Explanatory foreword
- Statement of responsibilities for the statement of accounts
- Movement in reserves statement
- Comprehensive income and expenditure statement
- Balance sheet
- Cash flow statement
- Notes to the financial statements
- Collection fund
- Housing revenue account (HRA)
- Group accounts

Overview

The Authority has a statutory responsibility to prepare its own accounts to represent a true and fair view of the state of the Council's affairs. A properly constituted Committee of the Council is responsible for approving the statutory annual statement of accounts. The accounts are available generally to the public for public scrutiny.

D3 - S151 Officer responsibilities

- (a) To prepare Financial Statements in accordance with all relevant codes of practice and by the deadlines contained within the Accounts and Audit Regulations.

- (b) To make judgements and estimates that are reasonable and prudent.
- (c) To sign and date the statement of accounts, stating that it represents a true and fair view of the state of the Council's affairs for the year ended 31 March.

D4 - Member responsibilities

Must approve the Audited Financial Statements by the timescales laid down in the Accounts and Audit Regulations.

D5-D9 Accounting Records and Returns

What it is

The recording of income, expenditure, assets and liabilities in the financial accounting systems of the Council. Maintaining proper accounting records is one of the ways in which the Authority discharges its responsibility for stewardship of public resources.

Overview

The Authority has a statutory responsibility to prepare its Financial Statements to represent a true and fair view of the state of the Council's affairs. These are subject to external audit. This audit provides assurance that the accounts are prepared properly, that proper accounting practices have been followed and that arrangements have been made for securing economy, efficiency and effectiveness in the use of the Authority's resources.

D5 - Responsibilities

- (a) S151 Officer is responsible for drawing up the timetable for final accounts preparation and to advise staff and external auditors accordingly.
- (b) Members and staff must operate within the required accounting standards and timetables.

D6 - Completion, reconstruction, documentation retention and reconciliation.

- (a) All the Authority's transactions, material commitments and contracts and other essential accounting information must be recorded completely, accurately and on a timely basis.
- (b) Procedures are in place to enable accounting records to be reconstituted in the event of systems failure.
- (c) Prime documents are retained in accordance with legislative and other requirements.
- (d) Reconciliation procedures are regularly carried out to ensure transactions are correctly recorded.

D7 - Separation of duties.

To comply with the following principles when allocating accounting duties:

- (i) No one person to be given responsibility for more than one related function where there is a risk of that one person having the power to commit a fraud or there is a risk of material error.

e.g. a person responsible for purchasing must not be the person responsible for payment

- (ii) Internal check on activities through separation e.g. the custody of assets from the accounting of them, authorisation of transactions and operational responsibilities from record keeping responsibilities; the raising of requests for payment and receipt of monies.

D8 - S151 Officer; Certification of returns, audit of the accounts and retention of financial records.

- (a) Reconciliations of key financial systems and any financial returns, as determined by the S151 Officer, must be properly checked and certified.
- (b) S151 Officer must make proper arrangements for the audit of the Authority's accounts in accordance with the Accounts and Audit Regulations.
- (c) S151 Officer must ensure that guidance is issued on the retention of financial documents relating to minimum periods for retention and ensure that these timescales are complied with.

D9 - Directors, School Governors & Head Teachers; Management trail, retention of records and supply of information

- (a) To maintain adequate records to provide a management trail leading from the source of income/expenditure through to the accounting statements.
- (b) To ensure the proper retention of financial documents in accordance with Statutory guidance, and any guidance issued by the s151 Officer, relating to minimum periods for the retention of documents and to ensure that documents are only held as long as legally required and after that they are destroyed.
- (c) To supply information required to enable the statement of accounts to be completed in accordance with guidelines issued by the s151 Officer.

APPENDIX B

PART 2 - SECTION 5A**CITY OF PORTSMOUTH****MEMBER INFORMATION SERVICE**Explanation &
Comments

1. The following powers, duties and functions of the City Council and the Executive shall be delegated to the officers indicated below (or an officer within their department nominated by them for that purpose), subject to the rules in the following paragraphs. The body granting the delegation is identified in the column headed "Explanation & Comments".
2. Any proposal by an officer to exercise a power, duty or function mentioned below shall be published in a bulletin and circulated to all members of the City Council.
3. The bulletin shall be called the "Member Information Service" (MIS) and shall be circulated every week (or such other period as may be provided by an amendment to these rules under Paragraph 7 below).
4. The proposals shall be identified by a heading, must be summarised, must identify any ward or wards affected by the proposal, and must name the officer or officers who can be contacted for further information about the proposal (with their telephone extensions).
5. If a member indicates to the representative for this purpose of the Director of Corporate Services, that they wish a particular item to be referred to the relevant Regulatory Committee or Executive for decision, it shall be so referred.
6. An indication under Paragraph 5 must be given by the time and date specified in each bulletin (which shall be 5.00 pm on the seventh day following the published date of the bulletin unless amended under paragraph 7 below).
7. These rules and the powers, duties and functions delegated under them may be amended from time to time by the Director of Corporate Services to remove anomalies and ambiguities in consultation with the Leader of the Council and the Leaders of the Opposition Parties.
8. Any Regulatory Committee or the Executive, as the case may be, may vary the powers, duties and functions referred to below as they consider appropriate.
9. All delegated functions shall be deemed to be exercised on behalf of and in the name of the Executive or the Council as the case may be.

10. The exercise of a delegated power, duty or function shall be subject to the requirements of Standing Orders and Financial and Staffing Regulations for the time being in force.
11. Where powers are delegated to two or more officers exercise of those powers in practice shall be regulated by the Council's policies. In the event of a failure to agree, the operation of those powers shall be regulated by the Chief Executive.
12. Where the exercise of powers is to be subject to prior consultation with another officer, that officer may give his or her views in general terms in advance to apply to any particular circumstance, to remove the need for consultation for each proposal.
13. The following powers, duties and functions shall be delegated, subject to the MIS rules:
- (1) TO ALL CHIEF OFFICERS:-**
- (a) In consultation with the Director of Finance & Resources:-**
- (i) The incurring of capital expenditure of more than £100,000 up to a limit of £500,000. Executive.
- (ii) Subject to (c) below, to approve additional capital expenditure or overspending above £50,000 when the additional expenditure has not been provided in the estimates, when equivalent savings can be identified within the approved estimates. Executive.
See also paragraph 3 of Section E of the outright delegations.
- (iii) Subject to (c) below, to approve additional revenue expenditure or overspending of £50,000 or more when the additional expenditure has not been provided in the estimates, when equivalent savings can be identified within the approved estimates. Executive.
- (iv) Determining the level of any fee or charge (including a new fee or charge or reduction in an existing fee or charge), where first any fee or charge is otherwise than in accordance with RPI or secondly where the Director of Finance & Resources believes there are corporate policy implications in the proposal. Executive and appropriate regulatory Committee.
See also outright delegation for increases in existing fees and charges.
- (b) In consultation with the Head of Financial Services:**
- (i) Overspending on an approved contract sum above the greater of £1,500 or 0.5% (capital) or 5% (revenue) up to the greater of a limit of £5,000 or 0.5% (capital) or 5% (revenue). Executive.
See also para 3 of Section D of the outright delegations.

- (ii) Payments of grants to voluntary bodies including clubs and societies above £5,000. Executive.
See also paragraph 4 of Section A of the outright delegations.
- (c) **In consultation with the Head of Information Technology:** Executive.
- (i) The purchase or leasing of any computer hardware or software, word processing equipment, or other similar equipment above £100,000.
- (d) **General**
- (i) To finalise the City Council's comments on any matter where the City Council is a consultee and the relevant Chief Officer is of the opinion that members should be aware of the views proposed to be expressed before the consultation response is finalised. Executive and appropriate regulatory committees
- (2) **TO THE CITY PLANNING OFFICER:-**
- (i) Except in respect of applications where the City Planning Officer has outright delegation, to grant or refuse all applications for planning permission or other consents under the Town and Country Planning legislation (including for hazardous substances), which are not a departure from the Development Plan or do not have implications for the Council's general policies. For the avoidance of doubt, this includes the granting of operative, planning resolutions for City Council development and when the decision would be contrary to views expressed by statutory consultees or material planning representations received as a result of publicity given to the proposals. Development Control Committee.
- (ii) Approve minor changes to Conservation Area boundaries. Executive.
- (3) **TO THE HEAD OF PROPERTY SERVICE (IN CONSULTATION WITH THE HEAD OF HOUSING SERVICE IN RESPECT OF PROPOSALS AFFECTING PROPERTY HELD UNDER THE HOUSING REVENUE ACCOUNT):** Executive.
- (i) To approve the principle of disposal of land and premises;
- (ii) To grant leases or licenses to occupy land or buildings for up to seven years at less than the best rents reasonably obtainable; Executive.
- (iii) The appropriation of land and property between holding powers, subject to consultation with the relevant Chief Officer and the Director of Finance & Resources. Executive.

- (iv) To agree offers for or exchanges of land. Executive.
- (4) TO THE CITY ENGINEER AND CITY PLANNING OFFICER IN CONSULTATION EACH WITH THE OTHER:-**
- (i) The closure or restriction of rights over any highway, other than closures under Section 14 or 16A of the Road Traffic Regulation Act 1984. (i) Executive in respect of TROs.
- (ii) General Purposes Committee in respect of creation, diversion and stopping up of highways and footpaths.
- Proposals are initiated by either department (Traffic Management Closures are delegated outright to the City Engineer).
- (5) TO THE CITY ENGINEER:-**
- (i) Except in respect of traffic regulation orders where there is outright delegation, to approve, vary or otherwise deal with traffic regulation orders where objections have been received and have not been subsequently withdrawn. Executive.
- (6) TO THE DIRECTOR OF CORPORATE SERVICES:-**
- (i) To settle claims made against the Council above £50,000. Executive.
- (7) TO THE COMMITTEE SERVICES MANAGER:-**
- (i) To make member and officer level appointments to outside bodies and organisations on those occasions when time does not permit the appointment to be made at a Council meeting. City Council
- (8) TO THE HEAD OF PERSONNEL:-**
- (i) To approve the harmonisation of corporate personnel and related policies in force in PCC and HCC, and to approve any review of existing (or introduction of new) human resources policies, after appropriate consultative procedures have been followed. General Purposes Committee.

APPENDIX C

Procedures for handling requests for authorisation to waive Financial Rules or a change in financial practice.**1. Introduction**

These procedures explain the process for submitting a waiver of Financial Rules or a change in financial practice request.

2. Application

The application request form should be used in all instances when a request is made to waive a Financial Rule or a change in financial practice. Requests to waive Financial Rules or changes in financial practice will not be accepted by any method other than the official form. The form can be submitted via email.

3. Completion of the Form

The service requesting the waiving of Financial Rules or change in financial practice must complete all parts on page 1 of the form. The key things to record are which Financial Rule is required to be waived or change in financial practice and the risks that have been considered and the compensating controls that will be put in place. After consultation with the relevant service Finance Manager, the Director, or relevant line manager (no lower than third tier) should sign the form on page one before submission to the Chief Internal Auditor or send the document from their own email account as evidence of their approval for the request.

Page 2 on the reverse side of the form is for the Chief Internal Auditor to add comments after considering the risk assessment and control mitigation provided; sign and date the form before it goes to the s151Officer for approval. Based on the comments the s151Officer will either sign the form as authorisation to waive or decline the request.

Internal Audit will maintain a register of requests and allocate a unique serial number to each request. Internal Audit will check the form to ensure that all relevant information has been provided and that the form has been signed. If there is information missing, or the form has not come from a relevant level of manager the form cannot be processed until an explanation of what is required has been received.

The Chief Internal Auditor may require further information in any case if the risks and controls have not been fully considered. The Chief Internal Auditor, or delegated Auditor, will review the request and add comments either to the form or in the covering email, to either support the request, or listing reasons for concern. Internal Audit will endeavour to deal with requests promptly and pass on the completed form within five working days from the date of receipt unless it is urgent then it will be dealt with within 24 hours.

The form will then be sent to the s151Officer for final consideration and approval or rejection. If approved, the s151Officer may either sign the form, or put their decision in a covering email and either give approval or decline the request. In his absence the s151officer may delegate authorisation to his deputy or to a nominated senior officer.

The form will then be returned to Internal Audit so that the decision can be recorded in the Register. An email will be sent to the relevant Director or line manager, who should make suitable arrangements for its filing and retention.

Services should not assume that by submitting a request that this is sufficient to allow them to cease compliance with the Financial Rule or change in financial practice. The Waiver can only commence when the approval of the s151 Officer or his nominated deputy is received. However, in urgent cases it may be possible to proceed based on a verbal acknowledgement from the s151 Officer providing that the form is submitted promptly and that, if subsequently the request is rejected, compliance with the Financial Rule or change in financial practice is reinstated immediately.

Chris Ward

Director of Finance & Information Services (s151)

Ref Number

REQUEST FORM FOR AUTHORISATION TO WAIVE FINANCIAL RULES OR CHANGES IN FINANCIAL PRACTICES

When to use this form:

Use this form when you need authorisation to waive a Financial Rule or change a Financial Practice

How to use this form:

*Enter all information as asked for. Ensure that you include the Rule number to be waived or Financial Practice to be changed and list all the reasons for waiving the Rule or change in practice and what risks are likely to arise and what substitute controls you will use to mitigate these. The Rule/practice cannot be waived until APPROVAL FROM THE S151 Officer is given. You should **NOT** assume that by completing this form your request will be authorised.*

Send completed forms to the Chief Internal Auditor

SERVICE _____

SECTION OR ACTIVITY _____

FINANCIAL RULE NUMBER _____
OR FINANCIAL PRACTICE _____
AFFECTED _____

EFFECTIVE START DATE _____ EFFECTIVE END DATE (if applicable) _____

REASONS, LIKELY RISKS & PROPOSED SUBSTITUTE CONTROLS (Continue on separate sheet if necessary)

SIGNED BY:

Director/Line Manager

DATE
