

West Suffolk Council

Section 4 - Budget Setting and Medium-Term Planning, Budget Monitoring and Control and Resource Allocation

1. Budget Setting and Medium-Term Planning

1.1 Overarching Principles

1.1.1 The Council is a complex 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 priorities and statutory obligations. The budget is the financial expression of the authority's plans and policies.

1.1.2 The revenue budget must be constructed so as to ensure that resource allocation properly reflects the service plans, statutory services and priorities of the 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 an authority to budget for a deficit.

1.1.3 Medium-term financial planning involves a planning cycle in which managers develop their plans. As each year passes, another future year is added to the medium-term plan. This ensures that the authority is always preparing for events in advance. The Medium Term Financial Strategy (MTFS) reflects this forward planning financially.

1.2 Key controls

1.2.1 The key controls for budget setting and medium-term planning are:-

- (a) Budget managers are consulted and involved in the preparation of the budgets for which they will be held responsible and accept accountability within delegations set out in the Constitution for their budgets and the level of service to be delivered; and
- (b) A monitoring process is in place to review regularly the effectiveness and operation of budget preparation and to ensure that any corrective action is taken.

1.3 Responsibilities

1.3.1 Section 151 Officer

- (a) Prepare and submit reports on budget prospects as part of the annual financial planning cycle, including resource constraints set by the Government and other external factors. Reports should take account of medium-term prospects, where appropriate. Prepare reports at intervals during the year in specific circumstances, such

as prior to approval of additional expenditure and at regular intervals for the Performance and Audit Scrutiny Committee.

- (b) Prepare and submit the annual budget to Council, on the basis of information provided by the Leadership Team and budget holders.
- (c) Advise on the medium-term implications of spending decisions.
- (d) Encourage the best use of resources and value for money by working with the Chief Officers and their staff 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.
- (e) To advise the Council in accordance with their responsibilities under Section 151 of the Local Government Act 1972.

1.3.2 Directors

- (a) Prepare budgets on the basis of service priorities and statutory obligations, within the overall context of the Cabinet's agreed priorities.
- (b) Prepare budgets that are consistent with any relevant limits, as part of the authority's annual budget cycle and within guidelines issued by Cabinet (for example relating to the setting of council tax).
- (c) Integrate financial and budget plans into service planning, so that budget plans can be supported by financial and non-financial performance measures.
- (d) When drawing up draft budget requirements, have regard to:-
 - (i) Spending patterns and pressures revealed through the budget monitoring and budget setting processes;
 - (ii) Legal requirements.
 - (iii) Policy requirements as defined by the Council in the approved policy framework; and
 - (iv) Initiatives already under way.

2. **Budget Monitoring and Control**

2.1 **Overarching Principles**

2.1.1 Budget management ensures that once the budget has been approved by Council, resources allocated are used for their intended purposes 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 to account for defined elements of the budget.

2.1.2 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 financial 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 limited budget allocated to it.

2.1.3 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 Director's Scheme of Delegation.

2.2 **Key controls**

2.2.1 The key controls for managing and controlling the revenue budget are that:-

- (a) Budget managers should be responsible only for income and expenditure that they can influence.
- (b) There is a nominated budget manager for each cost centre heading.
- (c) Budget managers accept accountability for their budgets and the level of service to be delivered and understand their financial responsibilities.
- (d) Budget managers follow an approved certification process for all expenditure.
- (e) Income and expenditure are properly recorded and accounted for; and
- (f) Performance levels/levels of service are monitored in conjunction with the budget and necessary action is taken to align service outputs and budget.

2.3 **Responsibilities**

2.3.1 **Section 151 Officer**

- (a) Establish an appropriate framework of budgetary management and control which ensures that:-
 - (i) Budget management is exercised within annual budget limits unless otherwise agreed by an appropriately authorised body or Officer.
 - (ii) Each Director has available timely information on income and expenditure for each budget, which is sufficiently detailed to enable managers to fulfil their budgetary responsibilities.

- (iii) Expenditure is committed only against an approved budget head.
 - (iv) All Officers responsible for committing expenditure comply with relevant guidance, and the financial regulations.
 - (v) Each cost centre has a single, named manager, determined by the relevant Director. As a general principle, budget responsibility should be aligned as closely as possible to the decision-making process that commits expenditure; and
 - (vi) Significant variances from approved budgets are investigated and reported by budget managers on a regular basis.
- (b) To administer the authority's scheme of virement.
 - (c) To prepare and submit regular reports to the Cabinet and the Performance and Audit Scrutiny Committee on the Authority's projected income and expenditure compared with the budget on a regular basis.
 - (d) Where a Director is unable to balance expenditure and resources within existing approved budgets under their control, to submit reports to the Performance and Audit Scrutiny Committee, in consultation with the Section 151 Officer.

2.3.2 Directors

- (a) Maintain budgetary control within their responsibility, in adherence to the principles in 2. above, and to ensure that all income and expenditure are promptly and properly recorded and accounted for.
- (b) Ensure that an accountable budget manager is identified for each item of income and expenditure under the control of the Director (grouped together in a series of cost centres). As a general principle, budget responsibility should be aligned as closely as possible to the decision-making that commits expenditure.
- (c) Ensure that spending remains within the Service's overall financial limit, and that individual budget heads are not overspent, by monitoring the budget and taking appropriate corrective action where significant variations from the approved budget are forecast.
- (d) Ensure that a monitoring process is in place to review performance levels/levels of service in conjunction with the budget and is operating effectively.
- (e) Ensure prior approval by the Cabinet and Council (as appropriate) for new proposals that create financial commitments in future years.
- (f) To ensure compliance with the scheme of virement.

- (g) Agree with the Section 151 Officer where it appears that a budget proposal, including a virement proposal, may impact materially on another service area or Director level of service activity.

3. Resource Allocation

3.1 Overarching Principles

- 3.1.1 A mismatch often exists between available resources and required resources. A common scenario is that available resources are not adequate to fulfil need/desire. It is therefore imperative that needs/desires are carefully prioritised and that resources are fairly allocated, in order to fulfil all legal responsibilities. Resources may include staff, money, equipment, goods and materials.

3.2 Key controls

- 3.2.1 The key controls for resource allocation are:-

- (a) Resources are acquired in accordance with the law and using an approved authorisation process.
- (b) Resources are used only for the purpose intended, to achieve the approved policies and objectives, and are properly accounted for.
- (c) Resources are securely held for use when required; and
- (d) Resources are used with the minimum level of waste, inefficiency or loss for other reasons.

3.3 Responsibilities

3.3.1 Section 151 Officer

- (a) Advise on methods available for the funding of resources, such as grants from central government and borrowing requirements.
- (b) Assist in the allocation of resources to budget managers.

3.3.2 All Directors

- (a) Work within budget limits and to utilise resources allocated, and further allocate resources, in the most efficient, effective and economic way.
- (b) Ensure that delegated budgets are appropriately managed in line with the West Suffolk Financial Procedure Rules and other policy requirements.