

# FINANCIAL CODE 1

## REVENUE BUDGET PREPARATION, MANAGEMENT AND MONITORING

### 1. Background

1.1 This Financial Code provides guidance on the overall management of the Council's revenue budget and resources including: -

- Definition of Revenue Expenditure and Income,
- Revenue Budget Preparation,
- Budget Adjustments and Emergency Expenditure,
- Revenue Budget Management and Monitoring,
- The Budget Flexibility Scheme and Service Reserves.

1.2 This Code is designed to support good practice in financial management, a sound system of budgetary management and control and to ensure the robust financial stewardship of the Council's resources. The Code also includes guiding principles to be followed by Chief Officers/Budget holders in relation to the monitoring and reporting of the agreed revenue budget, as well as the responsibilities of the Section 95 Officer (Chief Financial Officer).

1.3 The details within this guidance note are based on the principles of sound financial management which contribute to best value and the need to ensure that there are effective arrangements for revenue budget management and monitoring. The Code reflects guidance from the following sources: -

- Section 95 Local Government (Scotland) Act 1973,
- The Local Government in Scotland Act 2003,
- The CIPFA Financial Management Code,
- The CIPFA Accounting Code of Practice,
- The Council's Financial Regulations.

### 2. Definition of Revenue Expenditure and Income

2.1 The CIPFA Accounting Code of Practice defines revenue expenditure as 'the amount that a local council spends on its day-to-day running of services and the Council accounts for expenditure and income in line with this Code of Practice and international accounting requirements. Revenue expenditure subjective headings within the Council's reporting structure include: -

- Employee Costs,
- Property and Transport running costs,
- Supplies and administrative costs,
- Payments to Suppliers and Third Parties,
- Cost of borrowing money (Loan Charges).

2.2 Revenue income consists of amounts received to offset the cost of revenue expenditure and includes fees and charges, government grants and other income.

2.3 Any expenditure or income that does not meet the capital test (as set out in Financial Code 2: Capital Programme Preparation and Monitoring) must be charged to the Council's Revenue General Fund, including capital charges such as depreciation and any other expenditure not met from capital funding.

### 3. Revenue Budget Preparation

#### **Background – Council Budget Setting Process**

3.1 The process and timetable for progressing the Council's Budget setting process will be drafted by the Executive Director, Enabling and Customer Services and the Chief Financial Officer on an annual basis, for agreement by either the Enabling and Customer Services Committee or Full Council.

3.2 As part of this process, the Chief Financial Officer will confirm the planned milestones for the progression of the budget setting process, including details of the anticipated receipt of the Local Government Finance Settlement, the process for the identification and agreement of budget savings and the presentation of Members' budget proposals.

3.3 The revenue budget for the year ahead will be approved by Members at Full Council in February/March each year, alongside the Council Tax level and Capital Investment Strategy as set out within the agreed budget process.

#### **Revenue Budget Preparation**

3.4 The Chief Financial Officer has overall responsibility for preparing budget estimates covering both projected funding and expenditure for Member consideration as part of the budget setting process. Chief Officers and Budget holders must be fully engaged in this process, and they have responsibility for informing these estimates and ensuring they are accurate through the provision and notification of relevant information.

3.5 To support the budget setting process the Chief Financial Officer is responsible for: -

- Providing estimates of the Council's overall funding level for the upcoming financial planning period, incorporating details of the Local Government Finance Settlement and anticipated distributional changes/impacts,
- Preparing forecasts on the financial impact of general cost increases, including pay awards, changes in the non-domestic rates poundage rate, potential inflationary impacts on the Council's expenditure levels (e.g. energy costs) and the revenue impacts of the Capital Investment Strategy (i.e. loan charges),
- Highlighting and assessing the potential financial impacts of changes in Government policies and initiatives, through liaison with Chief Officers and budget holders,
- Providing Members and Senior Management with an overview of the anticipated funding gap for the upcoming financial planning period, incorporating the above points and information received from Chief Officers and budget holders,

- Supporting Chief Officers and Members with the identification of potential efficiencies and savings measures to address the identified funding gap, confirming that they are accurate and deliverable through engagement with Chief Officers,
- Supporting political groups with the development of Group budget proposals through the provision of guidance and advice,
- Provision of a budget proposal template for Group proposals to be submitted within the timescales set out within the agreed budget process timetable.

3.6 Chief Officers and budget holders are responsible for supporting this process through: -

- Highlighting areas of potential budgetary pressure to the Chief Financial Officer, including areas where there are contractual increases within budgets,
- Providing guidance and advice on the potential financial impact of changes in government policy and/or planned service delivery,
- Supporting the identification of service efficiencies and savings measures that can be developed for Members consideration, in line with the timescales set out within the agreed budget process,
- Supporting the development of budget proposals through the completion of requested templates, briefing notes, and responding to Member queries.

3.7 A summary of the Council's financial projections and funding gap will be reported to the Enabling and Customer Services Committee (or Full Council) by the Chief Financial Officer, following the receipt of the Scottish Local Government Finance Settlement. This report will highlight the projected funding and expenditure levels for at least the upcoming 3 financial years, and the associated funding gap requiring to be addressed as part of the Budget Development process. The report will ask Members to consider and approve the financial assumptions and provisions reflected within the estimates that will subsequently form the basis of Members' Revenue Budget proposals.

### **Establishing Initial Revenue Budget Estimates**

3.8 Following Full Council's approval of the Revenue Budget and Council tax level, the Chief Financial Officer will prepare a draft Budget Estimates Book which sets out the budgets for each Service function for the upcoming financial year. This initial set of budget estimates will reflect the decisions taken by Members in agreeing the budget including areas of growth (e.g. investment in Member priorities) and reductions (e.g. savings and efficiencies).

3.9 The draft Budget Estimates will be provided to budget holders within the first week of the new financial year and will provide budget holders with an "authority to spend". Budget holders only have authority to incur expenditure up to the levels delegated to them (contained within the Budget Estimates) and any requirement to amend budgets from the levels provided should adhere to the guidance/restrictions set out within the budget adjustments section below.

3.10 The draft Budget Estimates will be supported by detailed budget models and further supporting details, including staffing establishments, will be prepared and reflected in the Final Agreed Budget Estimates referred to at section 3.17 below.

### **Revenue Budget Realignment and Budget Pressures**

3.11 The initial draft Budget Estimates referred to in the section above will subsequently be revised through the annual budget realignment review, which will be undertaken with all Chief

Officers/budget holders following the financial year end (during May/June). The purpose of the realignment process is to ensure that budgets accurately reflect planned income and expenditure levels for the year ahead.

3.12 The budget realignment exercise is a joint exercise requiring detailed service and budget holder engagement. The responsibilities of the Chief Financial Officer and Chief Officers/Budget holders as part of this exercise are set out below.

3.13 The Chief Financial Officer will annually provide detailed realignment guidance and principles to Chief Officers/budget holders, which will document the processes which must be followed as part of the realignment exercise.

3.14 In addition, the Chief Financial Officer will: -

- Provide budget holders with details of their prior year's outturn and budget variances, highlighting areas that require to be reviewed/considered as part of budget realignment,
- Confirm the resources available to the budget holder within the upcoming financial year,
- Provide advice and guidance on budgets which are managed corporately and cannot be changed (e.g. non-domestic rates, energy, insurance),
- Provide guidance and advice on the process to be adhered to by budget holders for highlighting and addressing budget pressures, including provision of an agreed budget pressures template where necessary,
- Provide Service Management Teams with an overview of the realignments that have been undertaken as part of the consultation with budget holders and highlight any residual pressures that have not yet been addressed and therefore require consideration by the Management Team,
- Reflect the agreed realigned budgets within an updated Budget Estimates book, to be made available to officers and Members by the end of July,
- Report the agreed budget estimates and areas of significant budget realignment, to Members as part of the first (Quarter 1) budget monitoring reports of the year.

3.15 The Chief Financial Officer will also review and assess the appropriateness of realignment requests, with specific detailed consideration on requests which seek to: -

- Increase Income targets without the prior approval of Members to ensure that the targets/assumptions are realistic (and not used primarily as a basis of increasing expenditure provision) or
- Adjust Staff budgets through offsetting adjustments to non-staff budgets.

3.16 It is the Budget Holders' responsibility to ensure that the budget estimates reflected for the year ahead are accurate and represent planned income and expenditure levels. Budget Holders are responsible for supporting the realignment process and are required to: -

- Engage with their allocated Service Finance Officer,
- Review all income and expenditure levels to ensure that they are accurate and realistic, reflecting planned income and expenditure levels for the year ahead,
- Advise on any changes to service provision/national guidance which may impact on income or expenditure during the year,
- Review prior year outturn budget variances to ensure that the potential ongoing implications for the new financial year are fully addressed/reflected within the budget estimates,
- Seek opportunities to mitigate the impact of potential budget pressures prior to the completion/escalation of a budget pressures template,

- Complete a budget pressures template for all budget pressures that cannot be addressed as part of the realignment process,
- Escalate those budgetary pressures that cannot be addressed as part of the budget realignment process to the Service Management Team for consideration and, if not fully addressed by the management team, escalate to the Chief Financial Officer.

### **Final Agreed Budget Estimates**

3.17 Following the budget realignment process referred to above, the final agreed Budget Estimates for the year will be prepared and published by the Chief Financial Officer by no later than the end of July. The estimates reflected within this document will be supported by detailed budget models and reflect details of staffing establishments, external payments and an analysis of income for each service. These estimates will form the basis from which budget monitoring will be undertaken and reported on for the year ahead.

### **Maintaining and Controlling the Budgeted Staffing Establishment**

3.18 The Chief Financial Officer will confirm annually the budget provision available to Chief Officers to support the approved staffing establishment taking into account any changes to that establishment associated with the annual funding settlement, other specific funding sources. This budget provision will also reflect any resources that will be made available during the year to support the application of agreed PayAwards or any other changes of general application (e.g. in relation to National Insurance or Pension contributions).

3.19 The budgeted staffing establishment should be maintained and controlled by the Chief Officer/budget holder during the year to ensure that there is no unapproved growth/change in the budgeted structure which may result in an additional financial burden to the Council.

3.20 Chief Officers are fully accountable (through the appropriate delegation to budget holders) for ensuring that the agreed staffing establishment reflected within the budget estimates is accurate and maintained. Budget holders can only seek to recruit against those positions set out within the agreed staffing establishment and for which budgetary provision is set out within the agreed budget. It is the budget holders' responsibility to ensure that all recruitment requests adhere to these principles and are subject to the agreed recruitment authorisation process (i.e. Chief Officer/Finance/HR approval).

## **4. Budget Adjustments and Emergency Expenditure**

4.1 Once the budget realignment process has been completed, with agreed budgets reflected within the Budget Estimates book, there should be no changes/adjustments to the reported budgeted levels, except under the following circumstances: -

### **Budget Supplementation**

- The Chief Financial Officer may supplement revenue budgets through the allocation of agreed funding held corporately in respect of national pay awards or any other changes of general application (e.g. in relation to National Insurance or Pension contributions), price inflation and from corporately managed budgets,
- Budgets may also be supplemented to reflect the allocation of additional Scottish Government funding, other external funding, or the utilisation of Service Reserves,
- Budgets may also be reduced to reflect the application of savings to Services where these have initially been held centrally.

### **Budget Transfers**

- To reflect the allocation of resources from one Service to be delivered by another Service during the year (e.g. Area Committee grant/Anti-Poverty allocations),
- To reflect a change in the responsibility of a budget from one budget holder to another,
- To reflect the distribution of Devolved School Management (DSM) budgets to individual schools during the academic year.

4.2 The authority to adjust budgets reported to Members and within the Council's financial system (Integra Centros), in compliance with the permitted adjustments reflected above, is reserved to the Chief Financial Officer.

4.3 Any other changes to approved income and expenditure plans should be reflected as budget variances within budget monitoring reports provided to budget holders and to the relevant Committee.

### **Administrative Control**

4.4 Budget adjustments and supplementations are controlled and recorded by Finance and Procurement within the Record of Budget Movements (ROBM). Supplementations and transfers can be one-off (short term) affecting only the current financial year or ongoing (long term) whereby the supplementation is a permanent change in the service department budget. Where supplementations are processed part way through a financial year it is important to adequately reflect the full year effect in future year budgets. The basis of budget supplementations (one-off or ongoing) will be clearly documented within the Record of Budget Movements (ROBM).

### **Emergency Expenditure**

4.5 In certain exceptional circumstances (such as severe weather), Chief Officers may need to deliver services in line with the Council's agreed priorities (and/or legislative requirements) at a level where approved budgets may be exceeded.

4.6 Where the urgency of responding to such emergency situations would make it impractical to seek formal Member approval through the relevant Committee prior to incurring the unbudgeted expenditure, the following approval process must be followed: -

- The Chief Executive and the Chief Financial Officer must be contacted by the Chief Officer for the service/function as soon as the requirement becomes known, highlighting the reason for exceptional spending and the level of projected overspending. While this initial contact may be verbal, this must be confirmed in writing by the Chief Officer at the earliest opportunity.
- The Chief Financial Officer and the relevant Chief Officer(s) will advise the Chair and Vice Chair of the Enabling and Customer Services Committee and the associated Service Committee respectively of the emergency expenditure at the earliest opportunity.

4.7 The Chief Officer must ensure that appropriate measures are in place to report the full details of the nature and level of additional expenditure approved/incurred to the following meeting of the Service Committee. These details will also be made available to Members of the Enabling and Customer Services Committee through either a separate report or through reference within the Council's Revenue Budget Monitoring report.

## 5. Revenue Budget Management and Monitoring

### Overview

5.1 Budget monitoring is as an essential tool in developing a business and management culture that continually monitors and reviews its use of resources in seeking to achieve the strategic aims and objectives of the Council.

5.2 The purpose of budget monitoring can be summarised as follows: -

- To review and assess performance against planned income and expenditure levels,
- Highlight areas where performance/monitoring suggests there may be potential deviations from these plans, causing “budget variances”.
- Identify areas of potential risk that require further review, investigation and discussion with the relevant budget holder(s),
- To enable remedial actions/mitigation to be taken to address potential variances/financial pressure, with the aim of containing income and expenditure within agreed budgeted levels.

5.3 The Chief Financial Officer will ensure that there is a strong framework of budgetary control in place to aid Chief Officers in monitoring and reporting on their revenue budgets. The roles and responsibilities of the Chief Financial Officer, other Chief Officers and budget holders in undertaking budget management and monitoring are set out below.

### Responsibilities of the Chief Financial Officer

5.4 The Chief Financial Officer is responsible for advising the Council on all financial matters as well as the monitoring and reporting of its financial performance and overall financial position.

5.5 To support the provision of good financial management information the Chief Financial Officer will: -

- Provide budget holders with details of their Budget Estimates for the year ahead to confirm authority to spend against these,
- Liaise with budget holders as part of the budget realignment process to ensure that agreed budgets reflect planned income and expenditure levels for the year ahead,
- Ensure that the financial ledger (Integra Centros) reflects the agreed budget provision available for the year as set out within the Budget Estimates (and updated to reflect any approved adjustments/supplementations) by individual service function/cost code,
- Monitor income and expenditure levels within the financial ledger against planned/budgeted income and expenditure levels,
- Provide budget holders with an Integra report of their budget monitoring position on at least a quarterly basis which will highlight projected variances at both a service and subjective level,
- Provide forecast income and expenditure levels for the year ahead to Chief Officers/Budget holders for review and agreement (through budget holder sign off),
- Highlight areas of potential budgetary pressure for review, escalation and reporting to Committee as required,
- Provide training and guidance to Chief Officers/budget holders on the interpretation and utilisation of Budget monitoring reports and the financial ledger,

- Liaise and consult with Chief Officers to inform the preparation of Service Budget Monitoring reports to individual Service Committees on a quarterly basis.

5.6 As noted above, it is the responsibility of the Chief Financial Officer to provide Service Revenue Monitoring reports to Chief Officers/budget holders. This will be undertaken based on the following agreed timescales: -

Monitoring Period	Agreed timescales
Quarter 1 (to 30 June)	15 working days after the period end
Quarter 2 (to 30 September)	15 working days after the period end
Quarter 3 (to 31 December)	15 working days after the period end
Quarter 4 (to 31 March/Year end outturn)	By no later than end of June

5.7 The Chief Financial Officer is also responsible for producing a summary corporate monitoring report for the Council. This will be reported to the Enabling and Customer Services Committee on a quarterly basis following the end of each monitoring period (as set out above).

5.8 The corporate monitoring report will provide Members with an overview of Service performance against the agreed budgets, those budgets which are retained corporately (e.g. loan charges, budget pressures etc) and any financial implications of a corporate nature (e.g. pay award considerations, inflationary pressures etc). In addition, Members will be provided with updates on the progress of the delivery of the Agreed Budget for the year, including the delivery of agreed policy investments and agreed savings.

5.9 The year end outturn report (Quarter 4) will also summarise the Council's financial performance for the year against the available budget/resources and advise on the level of reserves/resources carried forward to the year ahead.

### **Responsibilities of Chief Officers**

5.10 The Council's Financial Regulations state that Chief Officers are fully accountable for the financial performance of their Service against the budgets allocated.

5.11 To support good financial management Chief Officers are responsible for: -

- Ensuring that those officers designated as budget holders have the appropriate skills and expertise to undertake the requirements of their role,
- Ensuring the continued maintenance of an effective delegated authorisation structure, aligned to the Service structure within the budget estimates, to ensure that income and expenditure is approved on a timeous basis and effectively controlled,
- Ensuring that all budget holders have undertaken the required training courses within the *My Learning* Platform,
- Ensuring that budget holders are provided with the appropriate training and guidance to support budget monitoring requirements,

- Highlighting areas of potential budgetary pressure, changes in national guidance or service provision, which will impact either current or future budgeted income and expenditure levels to the Chief Financial Officer as soon as these become known,
- Ensuring the accurate interpretation of revenue budget monitoring statements, as produced by the Chief Financial Officer, through engagement with the Service Finance Officer and completion of the quarterly budget holder sign off procedure,
- Identifying and implementing mitigating measures to address any identified potential budget pressures/variations on a timely basis,
- Ensuring that the incurring of expenditure complies with the Council's procurement standing orders.

5.12 While the Chief Officer has overall responsibility for the budgets under their control it is recognised as good practice for budgets to be devolved to the nearest point at which decisions are taken to commit expenditure or influence receipt of income. The individual with the devolved responsibility is referred as the Budget Holder, with their respective responsibilities set out below. However, ultimate responsibility and accountability for the financial performance of a Service remains with the Chief Officer.

### **Responsibilities of Budget Holders**

5.13 As noted above, budget holders have devolved responsibility for the financial performance of the budgets allocated to them.

5.14 To support good financial management Budget Holders are responsible for: -

- Developing and ensuring that appropriate systems and procedures are in place to provide accurate information (both financial and non-financial) for monitoring the budgets under their control,
- Ensuring that the budgets allocated for the year ahead represent planned income and expenditure levels, as part of engagement on the budget realignment process,
- Ensuring that they have the required skills, training and expertise to undertake their responsibilities,
- Ensuring that they understand the budget monitoring information presented to them and engage/highlight any anticipated variations/amendments to forecasts as part of the monitoring process,
- Completing the formal "sign off" document, to confirm acceptance or otherwise of the financial reports issued by Finance and Procurement within 10 working days of receiving the monitoring reports,
- Ensuring that the incurring of expenditure complies with the Council's procurement standing orders,
- Progressing the timely authorisation of expenditure and raising of income invoices,
- Engaging with Finance and Procurement on potential budgetary pressures, changes in national guidance or service provision, which will impact either current or future budgeted income and expenditure levels as soon as these become known.

### **Budget Holder Authorisation Levels**

5.15 The extent to which budget holders can authorise expenditure is set out within the Council's Authorisation Structure, as approved by the Enabling and Customer Services Committee and appended to this Financial Code. The agreed budget holder authorisation limits are based on the following guidance, and apply to both revenue and capital transactions, orders, contracts etc: -

- The Chief Executive and Executive Directors – should not exceed £2 Million,
- Assistant Directors and Heads of Service – should not exceed £1 Million,
- Service Managers – should not exceed £100k,
- Others – should not exceed £20k.

5.16 Where the Council needs to enter into, or undertake, transactions in excess of the £2 Million level, arrangements will be made to support such transactions with the express approval of both the relevant Director and the Chief Financial Officer and only where such transactions comply with the Council's agreed policies and procedures for which Members have approved the required budget provision.

5.17 All budget holders must have completed the Council's required training courses within the *My Learning* platform prior to gaining access to the Council's financial management information system (Integra Centros) to authorise/incur expenditure, which consists of the following modules: -

- Budget Monitoring Reports,
- Financial Codes and Best Practice,
- Financial Management for Budget Holders,
- Introduction to Procurement.

5.18 Any changes to the authorisation structure associated with new appointments and changes in roles are required to be agreed by both the relevant Director and the Chief Financial Officer. These changes will be reported as part of the Corporate Financial Strategy Monitoring report presented to the Enabling and Customer Services Committee, with the attached Appendix updated on an annual basis to reflect the agreed amendments. All budget holders are required to refresh the above training modules every 3 years.

5.19 Financial Code 3 provides more detail on Internal Controls and Authorisation Arrangements.

### **Budget Variations and Escalation Procedures**

5.20 Chief Officers and Budget Holders are responsible for controlling spending and collecting all budgeted income within the annual cash limits approved by Members.

5.21 Should significant variances arise during the financial year (overspends/underspends), then Chief Officers and budget holders are responsible for promptly investigating the reasons for such variances and, in the case of projected overspending, for identifying recovery plans to seek to contain spending within the agreed budget level. Budget Holders should also highlight any concerns regarding budget variances in a timely manner to the relevant Chief Officer and the Chief Financial Officer.

5.22 The Chief Financial Officer will provide advice to Chief Officers when a supplementary report requires to be presented to the Service Committee and/or the Enabling and Customer Services Committee. This supplementary report will provide Members with details on the budgetary pressure, the mitigation that has taken place to date and the proposed approach/request to address the residual budgetary pressure (including the potential application of corporate resources and/or service reserves).

## **Committee Reporting**

5.23 The Chief Financial Officer will prepare draft Service Revenue Monitoring committee reports for Chief Officers on a quarterly basis, taking into account engagement undertaken with budget holders as part of the budget monitoring process.

5.24 The draft monitoring reports will be in a format determined by the Chief Financial Officer, and will clearly highlight: -

- Areas of budgetary variance and the projected year end position,
- Areas of potential ongoing pressures and the measures being taken to address/mitigate these,
- Progress on the delivery of agreed savings,
- Progress on the delivery of agreed policy investments.

5.25 The Chief Officer is responsible for ensuring that the report accurately reflects the anticipated financial position for the Service, supporting/informing any mitigating measures that are required to address any budgetary pressures and advising on any service delivery changes that will impact on the financial position. The Chief Officer is responsible for presenting the report to the relevant Service Committee as soon as possible after the period end.

5.26 Service Committees should receive revenue monitoring reports at least four times per annum, at the end of each quarter, with additional separate reporting as required where there are instances of significant budget pressure and/or changes in policy requirements (as referenced above).

5.27 The Chief Financial Officer will also prepare a quarterly *Financial Monitoring Report* which reflects the positions reported to each Service Committee and advises on the Council's overall financial performance. These reports will provide Members with updates on the application of Corporate budget provisions, such as budget pressures and pay awards, and highlight the impact on both current and future financial planning assumptions.

5.28 Chief Officers are also required to ensure that the Chief Financial Officer is consulted on all Service Committee reports where there is a potential financial implication, with the Chief Financial Officer's comments clearly reflected within the report as directed.

## **6. Budget Flexibility and Service Reserves**

### **Budget Flexibility Scheme**

6.1 To support effective budget management, the Council operates a Budget Flexibility Scheme which allows Service Departments to carry forward up to 2% of their Net Revenue Budget as Service Reserves. This flexibility is in place to provide Services with the ability to address any timing/delivery issues in planned expenditure levels experienced during the year, as well as to create provision to address one-off commitments/investments for the period ahead.

6.2 The maximum limit of 2% is determined through utilising the Net Revenue Budget for the year and only applies to those Service Reserves held by Service Departments. Where Service Departments wish to hold Service Reserves in excess of the 2% Flexibility level, additional

supporting details setting out the basis of the request must be provided to the Chief Financial Officer for consideration and approval by Members of the Enabling and Customer Services Committee as part of the formal approval process noted below.

### **Service Reserves – Creation and Approval**

6.3 Service Reserves are amounts set aside for specific purposes to meet future expenditure. Service reserves can be created at the end of each financial year through good financial management and the achievement of budget underspends. However, the incurring of a budget underspend will not always/automatically result in the creation of a Service Reserve, as highlighted below.

6.4 Service Reserves can only be created from under spends generated from good financial management and therefore will generally exclude any “windfall” savings that may have been achieved during the year. All “windfall” savings will be considered as part of the Council’s corporate funding requirements, informed by the Chief Financial Officer and the Council’s financial planning approach for the upcoming period.

6.5 It should also be noted that underspending from individual service functions will not necessarily result in the creation of a reserve for that service function, as the Executive Director has the authority to determine the prioritisation of proposals for the Directorate as a whole. In addition, in-year underspends in individual service functions may be used to mitigate overall service overspending/financial pressures and therefore not generate resources available for Service Reserve consideration.

6.6 At the end of the Financial Year, the Chief Financial Officer will provide Executive Directors with confirmation of the Service underspends available for consideration as Service Reserves, as well as the resources remaining available from prior financial years. Executive Directors are required, with the support of the relevant Chief Officers, to provide the Chief Financial Officer with details of their proposed Service Reserves for the year ahead and to seek to address any additional funding requirements that may be required for the upcoming period from within these resources.

6.7 Each Directorate’s Service Reserves proposals must be received by the end of May and include the following information: -

- The name of the reserve and reason for its creation,
- How and when it is planned to be used,
- Nominated lead officer for reporting on drawdown and planned utilisation.

6.8 The Chief Financial Officer will review all Service Reserve proposals (in consultation with the Senior Leadership Team) and: -

- Assess any requests to change the purpose of previously approved Service Reserves,
- Identify any resources which are no longer required to support their agreed purpose,
- Ensure that all Service Reserve proposals are linked to the Council’s key priorities or identified requirements,
- Identify and highlight any amounts that can be released to support Members consideration/key financial requirements for the upcoming period.

6.9 Members of the Enabling and Customer Services Committee will be asked to approve the Service Reserve proposals as part of the Council's year end outturn report presented to the Enabling and Customer Services Committee in June. All Service Reserves must be used in line with their agreed purpose unless a change in use is agreed as set out below.

### **Service Reserves - Changes to Use**

6.10 Service Reserves approved by the Enabling and Customer Services Committee can only be utilised in line with their agreed purpose. Should approved Service Reserves no longer be required to support their agreed purpose, and/or Service Departments wish to change the use of a Service Reserve during the financial year, a request setting out the reason behind the request should be submitted to the Chief Financial Officer for consideration and submission to the Enabling and Customer Services Committee.

6.11 Individual Service Committees will be provided with details of the proposed Service Reserves as part of the year end outturn reports to the respective Service Committees in June. Should Service Committees wish to amend the proposed utilisation of Service Reserves, this will be subject to the subsequent approval of the Enabling and Customer Services.

### **Devolved School Management Scheme**

6.12 The Devolved School Management Scheme requires the carry forward of any overspend and permits the automatic carry forward of a maximum underspend of up to 2½% of budget. In addition, the Executive Director Education, Skills and Community Wellbeing, can authorise the carry forward of underspends in excess of 2½% in exceptional circumstances.

Appendix – Budget Management/Authorisation Structure –

[http://www.dumgal.gov.uk/media/27881/Budget-Management-Authorisation-Structure-June-2023/pdf/Download\\_the\\_Budget\\_Management\\_Authorisation\\_Structure.pdf?m=638217505549170000](http://www.dumgal.gov.uk/media/27881/Budget-Management-Authorisation-Structure-June-2023/pdf/Download_the_Budget_Management_Authorisation_Structure.pdf?m=638217505549170000)