Budget Management Handbook

Introduction

Dear Colleague, you will have recently received your detailed budget for 2007/08 and this handbook is intended to help you as budget holder with understanding the role of CSD Finance and your own financial responsibilities. The handbook should be read in conjunction with the 'Budget Management Handbook' page on COLIN (SCC Intranet) which contains links to many of the resources mentioned in this document.

I appreciate your hard work and input that has gone into producing this years budget. It has been another challenging exercise given the level of savings to be achieved. Delivering those savings and ensuring the exercise of strong financial control is very important for the reputation of you and the Council. This handbook and the recent Standard Reporting training sessions are designed to assist you as a financial manager. More support and training will be provided but if you have any problems or require help please speak to the people named on the back page of this document.

Many thanks and I hope you have a successful year.

Geoff Dobson, Head of Strategic Finance

Financial Accountability

Suffolk County Council's annual 'Statement of Accounts' © are prepared by CSD Finance. The statement records the financial activity and position of the council and is scrutinised by the Audit Commission © for reliability and accuracy.

There are many acts of parliament that contribute to the financial reporting framework in local government with the *Chartered Institute of Public Finance & Accountancy* (CIPFA) being pivotal in promoting the *Best Value Code of Practice* (BVACOP) and the *Statement of Recommended Practice* (SORP) .

These standards provide CSD Finance with clear guidance on the production and content of the Statement of Accounts. The person responsible for upholding the financial regulations within the council is known as the Local Government Act 1972, Section 151 Officer.

Internal Financial Documents

The Constitution ©
The Constitution is made under Section 37 of the Local Government Act 2000. Its purpose is to enable the council to set strategic vision for the provision of public services. It ensures that decisions are made within the law, providing direction with different regulations, conduct and protocols. Part 4 (1—3) of the Constitution covers financial arrangements and should be fully embraced by Budget Holders

Part 4 (1) Scheme of Resource Management ©
This scheme outlines the ethos and policy framework by which the council's operations and resources are managed. It deals with specific issues such as the financial management framework and accounting policies and procedures.

Part 4 (2) Finance, Anti Fraud and Corruption Strategy©
Policy for dealing with fraudulent activity.

Part 4 (3) Pension Fund Governance Policy Statement ©
Governance of Suffolk County Council pension fund

Financial Control Standards ©
This document states the financial responsibilities of all staff in the council with regards to specific tasks such as external funding, insurance, pension administration and VAT.

Scheme of Delegation of Financial Management ©
This scheme sets out the financial rules to be applied in all directorates. It is assumed that Budget Holders are familiar with the scheme and that they adhere to the principles of control. Section 4.2 clearly states the Budget Holder responsibilities.

COLIN Information

This document refers to many other resources.

When reading this handbook it is advisable that you also open the 'Budget Management Handbook' page on COLIN *(See back page for details)*

If the symbol © appears next to a section in this booklet there will be a corresponding link on the COLIN web page to provide you with more information.
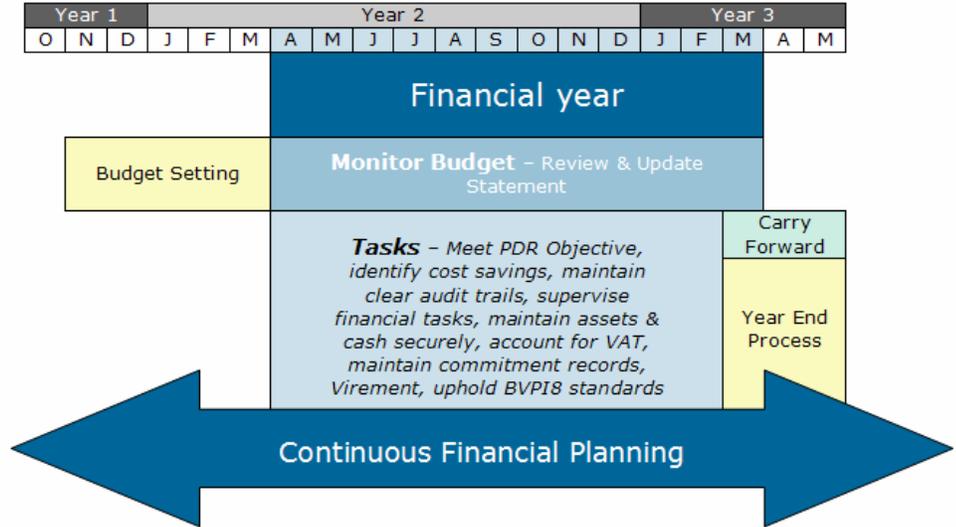
Inside this issue

- Annual Financial Tasks
- Monthly Financial Tasks
- Standard Reporting
- Commitment Accounting
- Reconciliation
- Delegation
- Dealing with problems
- ORACLE
- Contact Information

Annual Financial Tasks

The diagram below shows some of the financial activity that the Budget Holder should be involved in during the year.

Year 1			Year 2												Year 3			
O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M

Financial year

Budget Setting

Monitor Budget – Review & Update Statement

Tasks – *Meet PDR Objective, identify cost savings, maintain clear audit trails, supervise financial tasks, maintain assets & cash securely, account for VAT, maintain commitment records, Virement, uphold BVPI8 standards*

Carry Forward

Year End Process

Continuous Financial Planning

"Taking full responsibility for delegated budgets." *Scheme of Delegation*

Control the 'Controllable'

A controllable cost is one that can be influenced and determined by the Budget Holder. If a cost is controllable senior management will expect you to manage and adjust your expenditure within your budget allocation.

Examples of controllable costs include

- Pay Budget
- Printing & Stationery
- Travel
- Equipment

Carry Forward ©

Budget Holders can apply to carry forward over and under spent budgets via the Strategic Finance Assistant Director. This process takes place during March—May each year.

Details are issued at year end.

Budget Setting

The budget for each financial year is set to reflect the service provision that the council has agreed. Budget setting takes into consideration various changes such as pay inflation, price inflation, demand pressures and savings that need to be found.

In December the agreed budget for the following year is sent to the budget holder for review in the same format as the monthly 'Budget Statements'©. At this time the budget holder is invited to review the figures and make any amendments using the 'Virement' © process. After virement adjustments, the figures are presented in a report to cabinet and then full council for final approval.

A second set of 'Budget Statements' are issued in March reflecting any changes that have been requested. This is the budget that the Budget Holder agrees to control in that financial year.

During the year the Budget Holder can continue to make changes to their budget using the Virement process.

Year End Closing © *(COLIN page only active during year end)*

The Budget Holder is responsible for ensuring that all receipts and payments relating to a financial year are correctly recorded in the year that they took place. The following processes are included in the Budget Holder's year end responsibilities

- Raising Listed Debtors/Creditors, Receipts in Advance & Payment in Advance Forms
- Balancing all systems that involve income or expenditure (Banking/ Petty Cash)
- Chasing & processing supplier invoices well within the year end deadline
- Providing evidence of assets held at the end of the year (Cash / Stock / Fixed Assets)

Archiving Financial Documents ©

Budget Holders are responsible for safely archiving financial documentation in accordance with the Suffolk 'Fileplan'.

Audit Trails ©

For Suffolk County Council the integrity of data held on ORACLE is reliant on maintaining adequate audit trails that can relate back to the source documentation.

An audit trail is created by linking a series of documents and contract numbers to identify the journey between purchasing or providing goods & services and making the payment or receipting the cash. This is achieved by ensuring that the correct paperwork is always in place and fully completing the coding slips on documents that are sent to CSD Finance for processing.

Data Integrity

In Suffolk County Council all financial records are held on ORACLE ©. This information forms the basis of the councils Statement of Accounts and is audited each year for integrity and accuracy.

It is the Budget Holder's responsibility to ensure that all of the data relating to their budget is correctly reflected on ORACLE. Therefore particular care needs to be taken when coding documents that feed ORACLE. In order to fulfil this responsibility the ORACLE transactional data needs to be reconciled against the Budget Holder's commitment accounts each month.

Security & Inventory ©

The Budget Holder is responsible for safeguarding the councils assets and cash, for example

- A detailed inventory of assets held should be regularly updated with acquisitions and disposals

- Keys to buildings, safes and cash tins should be held securely and monitored

- Secure stationery such as cheque books and 'A' Account pads should be held securely

Review & Virement ©

Virement is the movement of all or part of a budget from one code to another. The Scheme of Delegation © details individual delegated authority with regard to Virement in each directorate. The system requires the Budget Holder to submit a certified request to CSD Finance who will make the Budget amendments.

An important time to review whether budgets are correctly linked to the reality of expenditure and income patterns is immediately after the end of the year 'Outturn' has been established. This review could, within the fixed control totals for the next year, lead to changes to the budget (Virement) to more accurately reflect patterns of expenditure in the new financial year.

Performance Indicator *Prompt Payment of Invoices (BVPI8) ©*

The government introduced the 'Late Payments of Commercial Debts (Interest) Act in 1998 which allowed companies to sue for late payment of invoices. This was followed by the Best Value Performance Indicator (BVPI) No. 8 which monitors the rate that councils make payments to their suppliers.

A Budget Holder is responsible for ensuring that all invoices received in relation to the goods and services that they purchase are processed within 5 days of receipt to ensure that payment is made within the agreed credit terms.

Suffolk County Council's BVPI8 performance is monitored by CSD Finance using the invoice information that is fed into Oracle .

VAT©

Suffolk County Council is VAT registered. The Budget Holder is responsible for ensuring that all VAT is 'charged for' when raising debts and 'claimed for' when making payments. Failing to account for VAT is not acceptable.

Financial PDR Objective

Statement of Budget Manager responsibilities to be used in all PDR assessments:

Throughout the year, you will:

- Take full responsibility for the planning, monitoring and use of delegated budgets by you and your team.

- Actively control the commitment of expenditure against your budget and place orders using only the council's approved purchasing procedures.

- Take action to deliver any savings targets that have been set for your budget. You must achieve such savings in the amounts and timescales that have been decided by the council.

- Comply with the policies in the council's "Scheme of Resource management" and your directorates "Scheme of Delegation"

- Apply a culture of probity and sound financial discipline.

Each Month, you will:

- Monitor actual and committed expenditure to date and update your forecast of spending for the financial year ending 31 March.

- Take corrective action, as and when necessary, to bring spending into line with your budget including assessing the impact for service users and obtaining appropriate management/ political approvals to such changes.

Notes

1. If a budget manager fails to meet these responsibilities in any year or overspends without authority, it will not be possible for them to obtain a competency level of 1 or more under the council's PDR scheme.

2. Wilful and deliberate failure in performance to a reasonable and acceptable standard (in relation to financial control) may lead to disciplinary action.

The Standard Reporting System provides a sequence of financial reports.

The information fed in at the Budget Statement level by the Budget Holder has a significant impact on what is reported at the most senior level. It is therefore imperative that reporting deadlines are met for the process to run smoothly.

An annual calendar, like the excerpt below, of Standard Reporting deadlines is provided on COLIN ©.
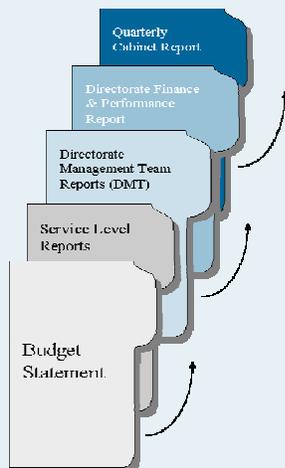
April 2007					
M		2	9	16	23	30
T		3	10	17	24	
W		4	11	18	25	
T		5	12	19	26	
F		6	13	21	27	
S		7	14	21	28	
S	1	8	15	22	29	

May 2007					
M		7	14	21	28
T	1	8	15	22	29
W	2	9	16	23	30
T	3	10	17	24	31
F	4	11	18	25	
S	5	12	19	26	
S	6	13	20	27	

| June 2007				
M		4	11	18	25
T		5	12	19	26
W		6	13	20	27
T		7	14	21	28
F	1	8	15	22	29
S	2	9	16	23	30
S	3	10	17	24	

Budget Holders need to update and save their Budget Statement during the 'Yellow' block.

The Monthly Budget Statement information feeds into the hierarchy of reports shown below, allowing the council to make sensible spending decisions.

Quarterly Cabinet Report

Directorate Finance & Performance Report

Directorate Management Team Reports (DMT)

Service Level Reports

Budget Statement

Monthly Financial Tasks

Each month a budget holder is expected to take full responsibility for their budget(s) by being involved in the following monthly tasks. If a Budget Holder is having difficulties with any aspect of their financial work they should contact the relevant CSD Finance Reporting Team *(See back page)*
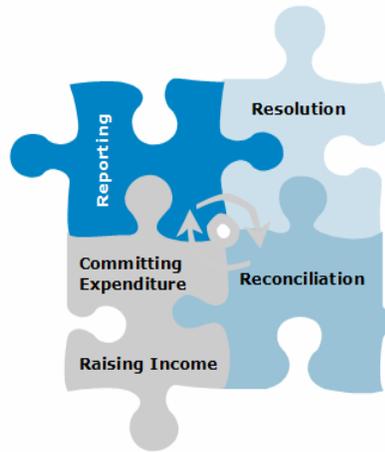
Monthly Financial Tasks

Standard Reporting
Review Budget Statement ©
Analyse Variances ©
Forecast Expenditure ©
Committing Expenditure & Raising Income
Maintain accurate commitment records
Pay for Purchases (P2P & Invoice processing) ©
Internal Recharges (Journals)
Collect Income (Raise A Accounts) ©
Reconciliation (checking)
Check accuracy of Oracle information
Reconcile balances of cash and bank accounts
Resolution & Accuracy
Report Errors to Reporting Teams *(Back page)*
Correct wrong & missing information
Update Budget Statement ©
Fully supervise staff with financial responsibilities

Reporting — Resolution — Reconciliation — Raising Income — Committing Expenditure

Standard Reporting and the Budget Statement ©

Standard Reporting was introduced to Suffolk County Council in April 2006. Each month a Budget Holder is sent a Budget Statement showing the actual and budgeted expenditure for each cost centre within their control. The Budget Holder is expected to review and update every Budget Statement by evaluating significant differences between the actual amount spent and the profiled budget (Variance Analysis ©). In order for the council to control its overall expenditure Budget Holders are also required to predict the amount of money that they will have spent by the end of the financial year (Outturn forecast ©). This can be based on expenditure trend and the Budget Holders local knowledge.

Commitment Accounting

The information held on Oracle is only ever completely up to date at the end of the financial year when the accounts are closed. This is because receipts and payments for goods and services are always in the 'pipe-line' waiting to be processed.

Budget Holders are expected to maintain commitment records that provide them with an accurate budget position at all times. These records will show both actual and committed expenditure and provide the Budget Holder with an accurate budget position to base sound spending decisions on.

Purchasing ©

Budget Holders are responsible for ensuring that all purchases have a valid order or contract in place and that only the councils approved purchasing systems are used. The Procurement section within the councils Commercial Services Division provides a helpdesk to answer purchasing queries.

Internal Recharges

Budget Holders are responsible for recharging other council departments each month using an Oracle Journal © to promote good budgetary control

'A' Accounts (Sundry Invoices) ©

Budget Holders are responsible for ensuring that customers are accurately charged for goods and services that are provided each month.

Reconciliation

In this context reconciliation means to check one thing against another to ensure that they are consistent. Or, simply, does Oracle reflect what you know to have really happened.

The following Budget Holder responsibility is stated in the Scheme of Delegation ©

> "Maintaining the integrity of financial data held on Oracle or otherwise and being self-reliant in resolving in-year budget problems"

The statement implies that Oracle data is interrogated and errors are corrected. By opening & saving the 'Budget Statement' (Standard Reporting Process ©) there is an assumption that Budget Holders are confident that the information contained within the Budget Statement is a true reflection of their budgetary position.

To reconcile Oracle a Budget Holder needs to maintain accurate commitment records to use as a basis for checking an 'Oracle Transaction Report' ©. A transaction report will detail every entry made against each of the Oracle subjectives shown on a Budget Statement.

The task of reconciling Oracle may be delegated, however the responsibility for the data held on Oracle remains with the Budget Holder.

"Identifying and supporting the competencies required by staff assisting with the administration of the budget" Scheme of Delegation

Delegating & Supervising Financial Tasks

A Budget Holder is responsible for supervising any financial task related to their budget that has been delegated to other staff.

Where appropriate, suitable PDR targets should be set to reflect the delegated financial work carried out by other staff.

Delegated financial tasks should be fully understood by the Budget Holder and supervised regularly.

Separation of Duties

All financial tasks should involve more than one person to safeguard the councils assets and prevent the possibility of fraudulent activity.

Imprest © (Petty Cash)

Imprest accounts should be reconciled and submitted monthly. Any significant discrepancies must be reported to the Budget Holders line manager.

Income & banking ©

All cash received must be stored safely, reconciled and banked promptly.

Ordering ©

All goods and services need to be purchased using the approved purchasing systems. In all cases orders require a legal contract to be entered into between the council and the supplier. This is achieved by using P2P or raising an official order. Orders may not be raised verbally without supporting documentation.
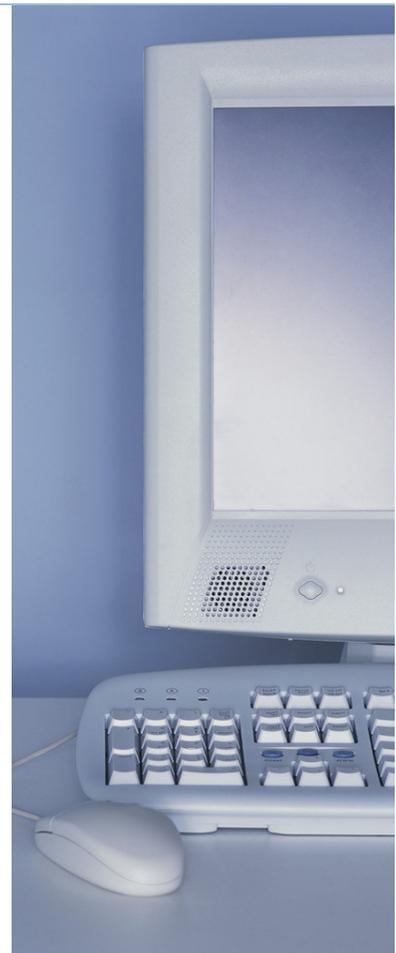
'A' Accounts ©
(Sundry Debtors)

External customers must be invoiced promptly using the councils official paperwork to aid good budgetary control. Departments may not create their own personalised invoice stationery to raise debts.

Issuing Credit Notes

External customers requiring a credit note must be sent their paperwork promptly. As with 'A' Accounts, only the councils official stationery can be used.

BVACOP

Best value accounting code of practice

Capital

Funding for assets with lasting value

COLIN

County On-Line Information Network—SCC internal web site

Cost Centre

A sequence of numbers and letters used to determine an 'area' of expenditure.

Forecast

A calculation of future spending based on existing trend and local knowledge

Oracle

The computerised financial system used by Suffolk County Council to monitor budgets and record receipts and payments

Outturn

The amount spent or received at the end of a financial year

Revenue

Funding for day to day expenditure

Transaction

An electronic record of individual receipts, payments and adjustments

Transaction Report

An Oracle report providing a detailed list of transactions within a cost centre.
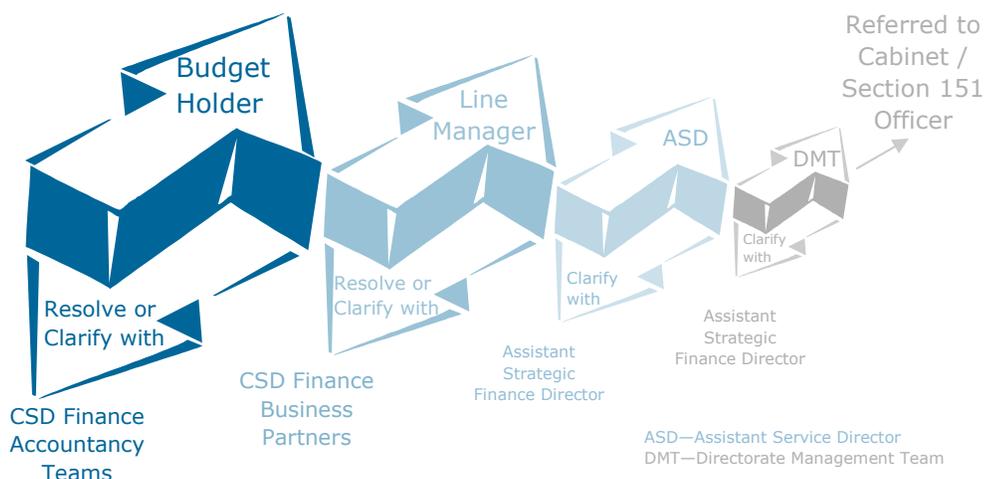
Variance

The difference between a budgeted and actual figure

Virement

The movement of a Budget from one code to another

Addressing Financial Problems

Budget Holders are expected to "Report upwards on significant variances and outturn forecasts" (Scheme of Delegation)

Budget Holder

Line Manager

ASD

DMT

Referred to Cabinet / Section 151 Officer

Resolve or Clarify with

CSD Finance Accountancy Teams

Resolve or Clarify with

CSD Finance Business Partners

Clarify with

Assistant Strategic Finance Director

Clarify with

Assistant Strategic Finance Director

Clarify with

ASD—Assistant Service Director
DMT—Directorate Management Team

Reporting & Escalation

The Standard Reporting process has an inbuilt reporting mechanism. Budget Holders are expected to predict the Forecast Outturn (amount spent by the end of the year) each month providing an explanation of any significant variance to the agreed budget. This information feeds into the service and directorate level reports. However, it is also necessary to separately report these differences to senior managers and business partners who will be able to assess the impact on the overall council budget.

Before escalation the Budget Holder should first check the accuracy of the data to establish that the transactions are correct (Reconciliation) and that the budget is correctly aligned (Virement). Once amendments have been made the Budget Statement will show an accurate picture of the financial position.

Incorrect Oracle Information

Mistakes found with Oracle transactional data need to be followed up by the Budget Holder by contacting the appropriate CSD Finance Reporting Team who will be able to correct the information. Incorrect pay data needs to be reported to the CSD HR Helpdesk to prevent errors reoccurring.

Missing transactions can be detected by interrogating Oracle using a known identification code such as the 'A' account number or Order Number to see where receipts and payments have been coded (Transaction Reference Enquiry ©).

Incorrect Budget Split - Virement ©

A Budget Holder can move budgets within the confines of their overall control total (total budget allocation) at any time during the year using the 'Virement' process ©. There are restrictions around moving pay budgets to non pay codes and vice versa that should be understood before making requests.

Financial Irregularities (Fraud, Theft and Corruption ©)

If a Budget Holder suspects that certain transactions or any issue relating to their financial responsibility is in breach of the county council regulations or simply illegal, they should refer the matter to their line manager immediately who should, without delay, report the full details to Audit Services (back page). This applies equally to any suspicions of money laundering ©.

Last year £9,756,979,590 worth of new bank notes were issued by the Bank of England. Conversely £38,910,000 were damaged with £87,000 of those going through the washing machine!

Oracle ©

Oracle is the computerised accounting system used by Suffolk County Council to record receipts and expenditure against individual budgets.

All budget holders and their staff should be competent users of the Oracle system.

Oracle gives users the option of running on-screen enquiries or printing reports. To become a user, complete a 'New Oracle User set up Form' ©. For training, contact the CSD Finance Learning and Development Team (Back Page).

The system uses a series of codes to identify areas of a budget and to identify different types of transactions.

Cost Centres and Subjective Codes

The coding system used on Oracle to represent the financial structure of the Council, is called the 'Chart of Accounts'. Each code is made up of eight individual segments. In practice, the majority of transactions are coded against a shortened version of the full eight segments, called an 'alias'. Normally, the **Cost Centre** and **Subjective** codes (the first two segments) are amalgamated to form the alias. At some point in the future, it is likely that the Council will stop using aliases and convert to using all 8 segments.

Choosing the right codes

A budget holder should be fully aware of their codes and maintain an up to date coding list. These codes need to be accurately recorded on all payment and income documents that feed information into Oracle. These documents include, travel claims, invoices coding slips, Imprest claims, 'A' Accounts etc. Budget holders should always use the correct expenditure or income subjective to code a transaction against, regardless of whether there is budget available or not. This is not just an audit requirement, but is essential for the council to determine how much it is spending on a specific thing.

Punching Conventions ©

All staff writing out coding sections of documents should adhere to the punching conventions. This helps promote the accuracy of data within Oracle and reduces the number of transactions coded to error suspense.

Example of coding on an Invoice coding slip complete with punching conventions

Error Suspense

When Oracle does not recognise a code from an input document, the transaction details are posted to a temporary place called 'Error Suspense'. CSD Finance and certain council staff have the task of 'clearing' each error suspense list. While in error suspense, transaction information will not appear against proper budgets. Budget holders should try and avoid transactions ending up in error suspense by using correct codes, carefully and fully completing coding sections and adopting the strict use of the punching conventions.
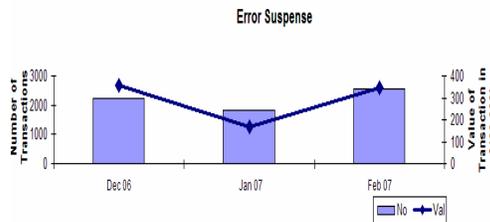
Other codes ©

A range of other codes are used within Oracle to help budget holders identify transactions. These other codes appear within on-screen enquiries or transaction reports. Examples of these other codes include: PN – Personal Number, ON- Order Number, DR- Debtor's Reference etc. These other codes can be interrogated directly within Oracle. It is important for budget holders and their staff to be able to interpret these other codes.

It is important to understand that Oracle is only as up to date as the documents that have been fed through it. It does not include items that are in the 'pipe-line' or items that are in 'Error Suspense' .
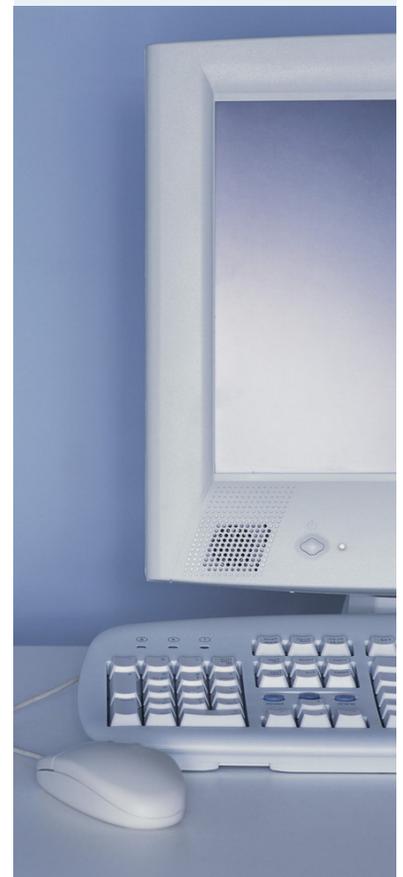
A B C D E F Ḡ

H I J K L M

N Ō P Q̄ R

S̄ T Ū V

W X Ȳ

Z̵

Ø

Does your S look like a 5 ?

I 2

3 4

5

6 7̵ 8 9

Add the additional lines to the dark blue letters & numbers

Make sure No.I is a straight line and the letter I is top & tailed!

Contacts

| Escalation Route	Adult & Community Services	Environment & Transport	Children & Young People Services	Resource Man., Chief Execs., Public Protection
Finance Reporting Teams	**Team B** ☎(01473) 265636 CSDFinanceTeamB@csduk.com	**Team B** ☎(01473) 265636 CSDFinanceTeamB@csduk.com	**Team A** ☎(01473) 265656 CSDFinanceTeamA@csduk.com	**Team C** ☎ (01473) 265654 CSDFinanceTeamC@csduk.com
Senior Business Partners	**Geoff Wilson** ☎(01473) 264318 Geoff.Wilson@csduk.com	**Daryl Cockman** ☎(01473) 265673 Daryl.Cockman@csduk.com	**Paul Finbow** ☎(01473) 265288 Paul.Finbow@csduk.com	**Daryl Cockman** ☎ (01473) 265673 Daryl.Cockman@csduk.com
Strategic Finance Assistant Director	**Aidan Dunn** ☎(01473) 264570 Aidan.Dunn@accy.suffolkcc.gov.uk	**Eric Prince** ☎(01473) 264268 Eric.Prince@et.suffolkcc.gov.uk	**Gavin Bultitude** ☎(01473) 264575 Gavin.Bultitute@cyp.suffolkcc.gov.uk	**Eric Prince** ☎(01473) 264268 Eric.Prince@et.suffolkcc.gov.uk
Section 151 Officer	**Geoff Dobson,** *Head of Strategic Finance* ☎(01473) 264347 Geoff.Dobson@accy.suffolkcc.gov.uk			
Audit Services	**Tim Ryder,** *Head of Audit Services* ☎(01473) 264246 Tim.Ryder@audit.suffolkcc.gov.uk			
Finance Learning & Development	**Jacq Barnard,** *Learning & Development Manager* ☎(01473) 265549 csdfinance.learningdev@csduk.com For Training Courses view — ©olin / Training / Finance Training			
P2P Helpdesk	☎(01473) 260266 P2P@pss.suffolkcc.gov.uk			

Financial Information on ©OLIN

For most staff working in Suffolk County Council the COLIN intranet page will automatically appear when logging into the computer network. If you are not able to access COLIN then email CSD Finance Learning & Development who will advise you how to get an external log-in via the external internet.

Internal web address -

http://colin.suffolkcc.gov.uk

© *How to find the 'Budget Management Handbook' page*

- go to COLIN
- Select 'Finance'
- Select 'Budget Management Handbook'
- Select handbook 'Page number'

Use this box to make your own notes and record your codes
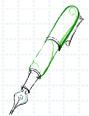
Useful websites & email addresses

humanresources@csduk.com

www.suffolk.gov.uk

www.audit-commission.gov.uk

www.cipfa.org.uk

www.direct.gov.uk

www.hmrc.gov.uk HM Revenue & Customs (VAT)