

REPORT TO: DMT

FROM: FINANCIAL STRATEGY ADVISOR, MARTIN JONES

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TITLE: FINANCIAL SCHEME OF DELEGATION
(FINANCIAL MANAGEMENT & FINANCIAL PLANNING)

1. **Introduction / Background**

1.1 The Social Services Directorate now needs to review and amend its Financial Scheme of Delegation. This is chiefly because of :

- The change in the Council's Constitution which came in to effect from May 2002.
- The Directorate's existing Financial Scheme of Delegation was last revised in 1998 and needs to be amended in light of major changes which include the strategic partnership with HBS, new services developed in partnership with the NHS and changes to internal organisational structures
- The need to maintain and promote understanding of the responsibilities of officers with regard to financial management.

1.2 The new Financial Scheme of Delegation for Social Services may most usefully be developed in the following stages :

- Financial Scheme of Delegation (Financial Management)
The identification of officers for whom responsibility for various aspects of financial management is owned
- Operational Scheme of Delegation
The rules, procedures and authorisation levels that need to be understood and followed by officers in completing financial transactions. These procedures may vary depending upon areas of specialism within Social Services such as foster care, community care or developing new services through contracts
- Control & Review
The procedures for ensuring that financial transactions are controlled and safeguarded. These include SAP Release Strategy, Corporate Business Process Procedures, training & supervision

- 1.3 This report deals chiefly with the first of these areas. As a precursor for continuing work in reviewing the existing Operational Financial Scheme of Delegation and informing future developments for the Directorate's employment of SAP, DMT are now required to confirm their Financial Scheme of Delegation (Financial Management & Financial Planning). In particular, DMT now need to define precisely who the budget holders are in Social Services. This policy will represent the framework from which other financial processes and procedures should flow. This report provides a suggested framework for DMT.

2. **The Constitution and New Financial Procedures**

- 2.1 A revised Constitution was approved by the Council at its meeting of May 2002. The County Treasurer has issued new Financial Procedures covering the following areas :

- Financial Management
- Financial Planning
- Asset Management
- Treasury Management
- Procurement (*in preparation*)
- Risk Management (*in preparation*)
- Audit & Inspection
- External Service Arrangements
- Accounting to Statutory Bodies
- Income Control (*in preparation*)

These documents are available from the County Treasurer's website on George.

- 2.2 The first two of these procedures are attached to this report (Appendices A & B) and set out the corporate requirements for planning, monitoring and controlling expenditure. The Procedures require that Chief Officers must :

Financial Management

- monitor financial performance, taking account of financial information provided by the County Treasurer
- control expenditure and income within their area against budget allocations, taking any action necessary to avoid exceeding their budget allocation
- report to the Executive on the overall position on a quarterly basis including reporting on variances
- alert the County Treasurer to any potential or anticipated problems.

Financial Planning

When preparing the detailed budgets Directors must ensure that budgets:

- Represent and are consistent with the Council's Policy Framework.
- Total to the budget target.
- Are realistic, reflecting likely cost of policies based on sound budget preparation methods.
- Comply with the financial framework set out in the Best Value Performance and Budget Plan.
- Comply with guidance issued annually by the County Treasurer.

2.3 Also, the following roles and responsibilities are placed on budget holders :

Financial Management

- To monitor actual expenditure compared with approved budgets
- To project the outturn of expenditure and income
- To identify and confirm potentially significant over and under spendings
- To consider the corrective action necessary to contain expenditure within the approved budget
- To alert their line manager of significant potential problems at an early stage and to suggest means of resolution
- To document decisions and actions adequately
- To prepare or agree justifications, briefs and appraisals for major capital schemes
- To prepare or agree scheme reappraisals and overspending reports.

Financial Planning

- Provide information on commitments, budget pressures, performance improvements, efficiency savings, and proposed capital schemes
- Prepare detailed budgets in accordance with the principles set out in the Financial Procedure and with the requirements in relation to format and timetable issued annually by the County Treasurer
- Maintain adequate working papers supporting proposed budgets

- Provide explanations of changes incorporated in budget proposals
- 2.4 Current arrangements support the Director in discharging his responsibilities as laid down in the Financial Procedures. However, there is a varying degree to which operational managers as budget holders comply with the all the requirements of the Financial Procedures. It should also be recognised that Social Services, as a large and complex directorate, with a gross budget in excess of £200 million, may need to consider a hierarchical response to the requirements of the Financial Procedures.

3. **Existing Financial Management in Social Services**

- 3.1 The Directorate's existing Financial Scheme of Delegation (last updated 1998) allocates many of the roles attributed to budget holders, as set out above, to Service and Practice Managers. Indeed, job descriptions for Service and Practice Managers do set out their required role in managing resources. *(Appendix C to this report provides extracts from job descriptions for managers in Social Services).*
- 3.2 In reality, many budget holder responsibilities, particularly with regard to financial planning, are met by Area or County Managers with the assistance of Finance & Resource Managers. This reflects the need to set financial plans for periods of longer than a single year that are linked to wider strategic performance targets. Often, the role of Finance & Resource Managers can become confused with those of operational managers in managing budgets. This has not been helped by the fact that SAP was not made available for all existing budget holders in Social Services.
- 3.3 DMT are now required to consider a policy that brings greater clarity to how the responsibilities of budget holders within the Council's Financial Procedures are discharged across managers. This will then inform further work that includes :
- The delivery of a programme of financial management training for nominated officers (mandatory)
 - Review of the Operational Financial Scheme of Delegation and authorisation limits set for managers
 - Wider use of SAP in the Directorate

4. **Social Services Budget Holders (Suggested Model)**

- 4.1 DMT are invited to consider the following hierarchical structure to operate in Social Services for discharging the responsibilities laid down in the Financial Procedures :

- Director & DMT
- Responsible Officer (Area & County Manager)
- Budget Holder (Service Manager)
- Budget Manager (Practice Manager)

- 4.2 Appendix D to this report expands on the duties linked to the Directorate that are set out in the Financial Procedures. Each duty or responsibility is analysed across the hierarchical structure in 4.1 above. The role for Finance & Resource Managers is clarified.
- 4.3 Separate responsibilities are identified for Service and Practice Managers that reflect their differing operational and managerial roles. DMT may wish to consider further whether accountability might be improved by combining these responsibilities at a single tier.
- 4.4 DMT are invited to comment on the proposed allocation of budget holder responsibilities set out in Appendix D. It is recognised, however, that the whilst a standard approach across the Directorate is required, there may need to be wider consultation within the Directorate's senior management teams on some of the issues that the proposed allocation of responsibilities raises. It is suggested that SMT are consulted via the Children & Families, Social Inclusion and Older People Management Teams. Consultation will also be required at the business meetings of Finance & Resources Managers.

5. **Budget Accountability Framework**

- 5.1 The Directorate's budgets and expenditure are allocated to cost centres. These form the building blocks for measuring financial performance. Currently, on SAP, cost centres are grouped in to two different reporting hierarchies : external financial reporting and internal management structure. The second of these structures is used to build reports and monitor performance for area accountability meetings in children's and older people's services.
- 5.2 The internal reporting hierarchy should mirror precisely the proposed structure set out in 4.1. This has largely been achieved over the last two years but the current structure facilitates only three levels as opposed to the four that may be required should DMT opt to organise budget holder responsibilities to mirror tiers of operational management.
- 5.3 Appendix E to this report analyses the Directorate's existing cost centres by internal reporting hierarchy. In future, responsibility for maintaining this Budget Accountability Framework will itself become a responsibility that should reside with nominated Responsible Officers (see Appendix D). Confirmation of all tiers of the budget manager hierarchy (para 4.1) is required if the proposals in this report are to be implemented.

6. **Implementation of Proposals**

- 6.1 Much of what this report recommends represents confirmation of existing arrangements. However, some of the practical aspects of budget holder roles, included at Appendix D, do not currently feature in local performance frameworks and so awareness training for the new requirements will be needed. The different roles of budget holders will also need to be monitored as part of appraisal and supervision.
- 6.2 It should be noted that the roles set out in Appendix D should not constitute a variation in responsibility attributed to managers currently. Rather, a more practical focus is applied to how officers should discharge their existing responsibilities.
- 6.3 Should DMT approve the attached Financial Scheme of Delegation (Financial Management & Financial Planning), subject to consultation, a programme of financial management training is required later in the year. This will need to involve all officers who will have a role as set out in Appendix D.
- 6.4 A separate training proposal will be brought to DMT in due course. The programme will, however, follow the format of other successful courses that have taken place elsewhere in the Council. This will include input from :
- Financial Strategy Advisor
Business & Financial Systems Officer
Finance & Resources Managers
SAP Support Team
HBS Accountancy
Internal Audit
- 6.5 It is recommended that DMT ensure that attendance at future financial management training courses is made mandatory for officers with budget holder responsibilities.

7. **Recommendations**

- 7.1 It is recommended that DMT :
- Note the roles and responsibilities for Directors and ‘budget holders’ as required by the County Treasurer’s Financial Procedures for Financial Management and Financial Planning (paras 2.2 & 2.3)
 - Approve, subject to consultation with senior officers in the Directorate, the allocation of roles and responsibilities in Appendix D that will form the Directorate’s Financial Scheme of Delegation (Financial Management & Financial Planning)
 - Arranges for confirmation/completion of the Budget Accountability Framework (Appendix E) through consultation at senior management teams in line with the proposed Scheme of Delegation

- Notes the requirement for financial management training and requests the Financial Strategy Advisor to commission the same
- Notes the requirement to incorporate the roles of the Financial Scheme of Delegation in to existing arrangements for performance management and supervision and appraisal.
- Notes that the Financial Scheme of Delegation (Financial Management & Financial Planning) will form the basis from which to revise the Directorate's Operational Financial Scheme of Delegation, which will address financial authorisation limits and will be linked to the 'budget holder' hierarchy in para 4.1 of this report.