

# Mini guide to financial management

## **1. How to use this Mini Guide**

- 1.1 This mini guide aims to help you navigate processes to follow when managing finances. It also gives a brief overview to help you get started. It does not replace the Council's Financial Procedure Rules.

## **2. What is Financial Management?**

- 2.1 A catch all term covering the way budgets are managed, planned and deployed to deliver a service or an activity.

## **3. Ten Questions to ask before getting started**

- 3.1 Are you a recognised budget holder?
- 3.2 Are your clear your financial management responsibilities and have you agreed them with your manager?
- 3.3 Where on the financial system is the budget?
- 3.4 How will I know what I am spending or receiving in income?
- 3.5 Who supplies my financial information?
- 3.6 How often will I meet the financial services support staff?
- 3.7 Can I interpret the financial statements I receive?
- 3.8 Do I need access to the Council's financial system and if so, what skills will I need?
- 3.9 Have I attended the Council's financial management courses?
- 3.10 Do I understand the procurement rules?

## **4. Tips for successful Financial Management**

- 4.1 Good financial management should ensure that:
  - 4.1.1 Staff in charge of delegated budgets have clear guidance on the size of the budgets, what they may be used for and how far they can be varied.
  - 4.1.2 Specific authority is obtained for expenditure when the amount is in excess of the budget holder's signing limit.
  - 4.1.3 Actual income and expenditure is regularly monitored against budgetary provision and corrective action taken if an overspend is projected.
  - 4.1.4 Managers operating budgets must do so in accordance with the Council's overall financial procedures including the taking on of commitments e.g. ordering goods and services, making grant offers and entering into contracts.
  - 4.1.5 Staff involved in authorising and making payments have clear instructions on the procedures they must follow including the prepayment checks to be made.
  - 4.1.6 All financial management instructions are up to date, that they provide adequate separation of duties and otherwise contain appropriate provisions to combat the possibility of fraud.
  - 4.1.7 Financial management is monitored to ensure compliance with financial procedures and that it is working effectively.
  - 4.1.8 Budget holders receive regular and understandable statements that include a projected year-end position.

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## 5. Budget Monitoring

- 5.1 Effective budget monitoring provides vital information about spending patterns and makes realistic forecasts of year-end under or overspends. It is essential to closely monitor the budget, by comparing actual income and expenditure to the budget on a regular basis throughout the financial year. Reviewing the variances will highlight any problems and if remedial action is required.
- 5.2 The Budget Holder should review a regular budget monitoring report, showing income and expenditure against budget. The report should include all known commitments and creditors, to show where orders have been placed but the goods or services have been received but payment has not been made.
- 5.3 The monitoring report is produced to identify significant variances between the actual income/expenditure and budget. The reasons behind these variances should be investigated and documented. Corrective action should be taken as appropriate and recorded.
- 5.4 It is essential to budget monitoring that budgets are profiled correctly, the budget profile presents the likely spending pattern over 12 months of the year.
- 5.5 Individual budget holders should receive regularly monthly reports detailing actual expenditure against budget. The individual budget holders should review the business position and take remedial action where necessary. The review results should be communicated to the budget holder's manager who should assess the adequacy of the review and remedial action required.

## 6. Help and Advice

For help and advice contact your Financial Services representative.

David Powell	Head of Financial Services	3173
Greg Evans	Management Accounting Manager	1848
Heather Foster	Technical Accounting Manager	0284
Malcolm Green	Children's & Young Peoples Service Finance Manager	0818
Dean Hogan	Strategic Procurement & Efficiency Manager	0043

# Budget Management Flowchart

