

WARWICK DISTRICT COUNCIL**CODE OF FINANCIAL PRACTICE**

1. Purpose
2. Roles in Financial Administration
3. Expenditure
4. Payment of Accounts
5. Income
6. Control of Assets
7. Banking Arrangements
8. Petty Cash and Procurement Cards
9. Capital Investment Programme
10. Management of the Revenue Budget
11. Objectives of Budgetary Control
12. Scheme of Virement
13. Supplementary Budget Requests
14. Risk Management and Insurance
15. Internal Audit
16. The Monitoring Officer
17. Non-Compliance with the Code

1. PURPOSE

- 1.1 In line with the Council's desire to delegate decision making to the lowest possible level whilst ensuring secure and robust protection of the Council's finances, it is essential that all staff are aware of the Council's minimum requirements of proper financial practice. This Code reflects the requirements of the relevant legislation that affects the financial management of the Council, and is designed to operate in conjunction with the Council's Constitution and Code of Procurement Practice.
- 1.2 The Council via its "Responsible Financial Officer" must ensure that "arrangements exist for the proper administration of its financial affairs" as referred to in Section 151 of the Local Government Act 1972. Communication is the key to fulfilling this legal requirement; this Code of Practice is part of that communication.
- 1.3 The financial accountabilities of the following are outlined in section 2 below:-
 - Council
 - Executive
 - Head of Finance
 - Heads of Service
 - Chief Executive
 - Budget Managers•
 - Finance Department
- 1.4 The Chief Executive and two Deputy Chief Executives comprise the Corporate Management Team (CMT).
- 1.5 The next tier of managers below the CMT are known as Heads of Service who form the Senior Management Team (SMT). The Head of Finance is a member of SMT.
- 1.6 Below this tier, there will be Budget Managers who are responsible for specific Revenue and Capital Budgets which provide the financial resource for them to

deliver the elements of the service for which they are responsible.

1.7 Transparency Code

The Government believes that in principle all data held and managed by local authorities should be made available to local people unless there are specific sensitivities. This Council recognises the value to the public of the data it holds and its accountability to local people. All data produced and held in adherence with this Code of Practice will be published where it falls within the requirements of the Transparency code in a timely manner.

2. ROLES IN FINANCIAL ADMINISTRATION

2.1 The Council is responsible for the adoption of its budget framework as set out in Article 4 of the Constitution.

2.2. The Executive is responsible for:

- (a) implementing the Council's Budget Framework including; Virements, Supplementary Budget requests, and approval of the Final Accounts;
- (b) ensuring overall that this Code of Practice is followed in respect of the matters under their control;
- (c) monitoring, regulating, overseeing the Council's financial performance on an ongoing basis, including managing the revenue budget and capital programme within their terms of reference;
- (d) proposing the broad Financial Strategy for any period (traditionally a 5 year period) and monitoring performance against this Strategy.
- (e) formulating the Council's Capital Investment Programme for any period in accordance with the Council's Budget and Policy Frameworks;
- (f) considering the Council's overall net expenditure needs and recommending the level of Council Tax to be set for each year in accordance with the Council's Budget and Policy Frameworks;
- (g) preparing, monitoring and periodically reviewing this Code of Practice, as it considers necessary;

2.3 The Head of Finance is:

- (a) the authority's Responsible Financial Officer;
- (b) the officer responsible for the proper administration of the Council's financial affairs in accordance with Section 151 of the Local Government Act 1972 (the S151 Officer);
- (c) the designated officer in accordance with Section 113 of the Local Government Act 1988, whereby he is required to report to all elected members of the local authority, in consultation with the Monitoring Officer, any unlawful expenditure incurred or to be incurred or an unbalanced budget;
- (d) responsible, under the general directions of the Council and Executive, for controlling the accounts and finances of the Council in every respect;

- (e) advisor to the Council on its macro financial policy; including financial strategy, financing the capital programme, use of reserves and provisions and the setting of Council Tax and Housing Rents;
- (f) the officer with delegated authority under the Local Authorities (Accounts and Audit) Regulations for determining internal audit coverage.
- (g) the Council's Money Laundering Reporting Officer.
- (h) The responsibilities of the Head of Finance include:
 - (i) the production of financial information and advice for the guidance of managers in their management of the resources employed by them in their service;
 - (ii) keeping the Executive informed with respect to the Council's finances and financial performance;
 - (iii) keeping the Executive and Scrutiny Committees informed of the financial implications of their on-going and proposed activities;
 - (iv) agreeing the format of accounting records and core financial procedures and systems;
 - (v) the format of revenue budgets, accounting information and the method of their presentation;
 - (vi) any financial advice not covered by 2.3(e) above;
 - (vii) making all duly authorised payments from the Council's bank accounts;
 - (viii) treasury management operations within the agreed Treasury Management Strategy;
 - (ix) banking arrangements;
 - (x) effecting necessary insurance cover and co-ordinating risk management;
 - (xi) arranging a programme of continuous internal audit;
 - (xii) advising the authority on all taxation issues that affect the authority and providing instructions and advice on the administration of V.A.T.;
 - (xiii) overseeing procurement arrangements across the Council and giving appropriate direction to Service Areas.
 - (xiv) Agreeing debt write-offs as detailed in paragraph 5.9.

2.4 The Heads of Service are responsible for:

- (a) ensuring that this Code of Practice and the Code of Procurement Practice are observed in their Service Areas;
- (b) ensuring the legality and proper control of expenditure and income under

their direction, including compliance with the law relating to general taxation, V.A.T and the Public Contracts Regulations;

- (c) proper, secure and efficient management of assets under their control;
- (d) the management of risk within their sphere of activity in accordance with Part 14 of this Code of Practice;
- (e) the management, in accordance with Part 9 of this Code of Practice, of capital investment projects within their sphere of activity;
- (f) notifying the Head of Finance of any loss or shortfall of funds, including any errors or discrepancies;
- (g) ensuring officers responsible for managing budgets or processing financial transactions are appropriately trained and follow this code and correct procedures;
- (h) other matters specific to their role.

2.5 The Budget Managers are responsible for:

- (a) ensuring that this Code of Practice and the Code of Procurement Practice are observed in the management of their budgets;
- (b) ensuring the legality and proper control of expenditure and income under their direction, including compliance with the law relating to general taxation, V.A.T and the Public Contracts Regulations;
- (c) ensuring expenditure is within the agreed budget within their control, and complying with the budget management framework agreed by the Head of Finance and the Council.
- (d) proper, secure and efficient management of assets under their control;
- (e) the management of risk within their sphere of activity in accordance with Part 14 of this Code of Practice;
- (f) the management, in accordance with Part 19 of this Code of Practice, of capital investment projects within their sphere of activity;
- (g) Notifying their Head of Service and the Head of Finance of any loss or shortfall of funds, including any errors or discrepancies;
- (h) other matters specific to their role.

2.6 The Chief Executive as "Head of Paid Service" and the Deputy Chief Executive as the Council's "Monitoring Officer" under the Local Government and Housing Act 1989 are the persons who shall be consulted by the Head of Finance when preparing a report under his duties as the Designated Officer in relation to Section 113 of the Local Government Act 1988.

2.7 All officers must adhere to the arrangements put in place by the Head of Finance to ensure the Council's finances are managed so as to comply with statutory requirements and meet the Council's corporate objectives.

3. EXPENDITURE

3.1 The Budget Framework and Committee Reports

All managers defined in Section 1 of this code are individually responsible for expenditure under their control. They are required to ensure that any expenditure is only used for purposes the Council is legally empowered to incur. All expenditure must be incurred in line with the Procurement Code of Practice.

3.2 The Council's combined service planning and budget setting process ensures that budget proposals each year are co-ordinated under the Council's broad corporate strategy and Fit for the Future Programme. The annual budget sets the framework within which the Council's expenditure must be contained for the ensuing year.

3.3 Where there are reports to Executive or other specific committees which propose to vary the intention of service plans and the budgets previously approved, or there are other financial implications, managers must consult with the Head of Finance, or his staff, on the financial implications.

3.4 Specifically, Heads of Service will not advise the Council, Executive or other specific committees on the methods of financing any proposed expenditure without consulting the Head of Finance or his staff, and securing approval from the Head of Finance. Such consultation must give at least three clear working days for Finance staff to respond to requests for advice and subsequent approval. More complicated matters may require a longer period to consider the proposals and provide feedback.

3.5 By following the above process, it is intended that adequate opportunity will have been given to the Head of Finance and other Finance staff to assess sufficiently the financial implications of any proposal in any report to councillors. However, should points be raised during debate that are material to the decision making process, that cannot be dealt with at the meeting, no decision will be made until the Head of Finance has had the opportunity to consider the issue and prepare advice for a future meeting.

3.6 Budget and Expenditure/Income Monitoring

All Heads of Service and Budget Managers will be responsible for keeping strict supervision over the expenditure on all the services under their control and advising the Executive of any proposed expenditure not included in the Budgets, which, if incurred, would exceed the approved total estimates of the Council or the relevant service. Any significant variances must be notified to the Head of Finance immediately.

3.7 Before the start of each financial year Heads of Service and Budget Managers will acknowledge that they understand the estimates under their control and confirm the robustness of those estimates and accept responsibility for managing them.

3.8 The Head of Finance will submit revenue and capital budget review and outturn reports, along with financial projections, to the Executive in accordance with timescales and procedures agreed by Executive (as per Budget Report). Monthly Budget Review reports will also be produced by the Head of Finance for consideration by the Senior Management Team.

3.9 Heads of Service and Budget Managers will provide the Head of Finance with whatever details he deems necessary in a timely manner so as to enable the reports detailed in paragraph 3.8 to be produced. They will also consider the

implications and other issues upon the medium term financial position of the Council and report accordingly.

- 3.9 After the close of the financial year, a statement with corresponding explanations will be submitted to the Executive by the Head of Finance where he considers there are significant variations between actual net expenditure and approved estimates for each main service. The report will include details of the total variations.
- 3.10 The estimated cost of any work(s), goods or services for which provision was made in the estimates, which had not been commenced by the 31 March in each year, may be considered to be carried forward as slippage, subject to a report by the Head of Finance to the Executive for their consideration. In case of urgency, the Head of Finance after consultation with the Leader of the Council, who will, as necessary, consult with the appropriate portfolio holder, may authorise 'slippage' with the details of such slippage being reported to the next meeting of the Executive in retrospect. Officers must endeavour to identify and notify Finance of known "slippage" as soon as possible in advance so such requests can be reflected during the financial year. This ensures the Council's Budgets are realistic and reflect latest expenditure plans for that year.

3.11 **Code of Procurement Practice**

In following this Code of Financial Practice, regard must be had at all times to the requirements of the Council's Code of Procurement Practice and Procurement Strategy. The Code of Procurement Practice must be followed for ALL contracts for:

- The supply of goods to the Council
- The supply of services to the Council; and
- The execution of works for the Council
- The disposal of Council assets,
- Or any of the above for which the Council is responsible for payment but are delivered on the Council's behalf by other agencies.

4. PAYMENT OF ACCOUNTS

- 4.1 In order to fulfil their broad role of responsibility described in paragraph 3.1, all managers will need to ensure that the following procedures are complied with when actually incurring expenditure and authorising payment of accounts.
- 4.2 It is essential that the Heads of Service ensure that there are effective internal controls over the payment process, including a clear division of duties between placing orders and paying invoices. The Heads of Service must also ensure that there is a system of authorising orders and payments which is sufficient to prevent fraudulent or inaccurate orders or payments being made. The Audit and Risk Manager must be consulted on the overall arrangements.
- 4.3 Orders should be raised within the Council's Financial Management System for all services and supplies. Heads of Service will supply the Head of Finance details of those officers able to authorise orders, with appropriate authorisation limits for each officer. Orders must be raised within the Council's Financial Management System for all services and supplies. Orders must be coded to the correct Cost Centre (where the money is being spent) and subjective Code (what it is being spent on). The order must be updated within the System to reflect the delivery of the services or supplies, or if necessary, the order should be cancelled within the

system.

- 4.4. The placing of orders and subsequent payments must adhere to the Council's Code of Procurement Practice. Goods, works and services must be ordered from contracted Council suppliers, using an established framework or through any other public sector framework available to the Council to utilise. Purchase Orders must specify clearly the amount of goods or services to be supplied, and the price to be paid per unit. For regular recurrent supplies, such as those which entail regular monthly payments, an annual order must be raised.
- 4.5 The Head of Finance is responsible for arranging payment of invoices. Heads of Service will organise their payment of invoice procedures to ensure prompt payment, in accordance with the terms agreed with the respective supplier. Generally payments will only be made against an invoice submitted by a supplier, with the invoice paid against the relevant order. This should be done as soon as possible as this is the Council's protection in any dispute. The goods/services delivered or work carried out must agree with the order and delivery note (where applicable) in respect of quality, quantity and price. Invoices must be checked to ensure they are properly payable, are arithmetically correct and include the appropriate V.A.T. details.
- 4.6 The payment of all salaries, wages, pensions, compensation, expense claims, and other emoluments to all employees, former employees and members of the Council shall be made under arrangements approved by the Head of Finance. The Heads of Service have a duty to ensure that all appointments, resignations, absences, overtime or other circumstances affecting the salary, wage or emoluments of an employee in their Area are acted upon immediately.
- 4.7 The Heads of Service will have regard to the Human Resources Handbook in respect of all matters pertaining to the employment of staff and their terms and conditions.
- 4.8 Heads of Service must ensure that expense and mileage claims are submitted promptly in accordance with the agreed procedures and that they should only be used to reimburse personal expenses rather than corporate expenditure. Such payments must be correctly authorised and supplied with supporting documentation, receipts etc.

5. INCOME

- 5.1 The Heads of Service are responsible for the collection of all income due to the Council in respect of services provided by that Service Area and ensuring appropriate systems and procedures are in place, that are agreeable to the Head of Finance. All income should be collected and banked promptly, whilst minimizing all associated risks.
- 5.2 All income received on behalf of the Council shall be paid into the appropriate bank account. Third party and personal cheques must not be cashed from monies held on behalf of the Council.
- 5.3 Income should be received in advance of the provision of the service in all cases unless there is an exceptional reason as to why this may not be appropriate. Where invoices are required for the collection of debts they must be issued promptly and all necessary action taken for recovery of the amount due by the Heads of Service either directly or by arrangement with others. Collection of Debts must be in accordance with the Council's "Fair Debt Recovery Statement".

- 5.4 Heads of Service may authorise appropriate levels of cash floats for staff collecting cash, having regard to need and security. Appropriate records must be kept of amounts issued and staff who hold floats.
- 5.5 It is essential that the Heads of Service ensure that there are effective internal controls over the collection of income, including the requirement that a ticket or other form of receipt is issued in respect of every item of income received on the Council's behalf where appropriate.
- 5.6 In designing their control system for income, the Heads of Service must incorporate the specific requirements of the Instructions and Controls for Receiving Payments.
- 5.7 The Head of Finance shall ensure that proper procedures are in place to combat the possibility of the Council being used for money laundering purposes.
- 5.8 Heads of Service are responsible for reviewing jointly with the Head of Finance fees and charges under their control.
- 5.9 Heads of Service may agree to the write off of debts under their control up to £1,000, with the circumstances of the case duly considered and documented . Appropriate separation of duties should be in place to authorise and action all debts written off. Amounts over £1,000 may only be written off after the approval of the Head of Finance.

6. CONTROL OF ASSETS

- 6.1 The Head of Development Services is responsible for the overall management of the Council's Land and Property Portfolio. An up-to-date property asset register must be maintained by the Head of Development Services as a core record of the Council's property holdings (including housing land). Property repairs and planned maintenance is the responsibility of the Head of Housing and Property Services.
- 6.2 The production of the Council's Asset Management Plan will be the responsibility of the Strategic Asset Group. The SAG is chaired by a Deputy Chief Executive and is comprised of selected Heads of Service and managers from the asset owning/managing service areas. The summary of responsibilities formulated by that group will guide all aspects of asset management within the Council. The Asset Management Strategy and Annual Asset Management Plan is considered by the SAG and approved by Council.
- 6.3 The Head of Development Services is responsible for the proper custody of all title deeds. The Head of Development Services should ensure that all changes to the Council's asset base are notified to the Head of Finance to ensure that the Council's financial records are consistent and correct.
- 6.4 Heads of Service are responsible for the operational use of property and assets under their control. Appropriate up to date inventory controls should be kept of the Service's property and equipment. The Heads of Service may authorise use of equipment etc. away from the normal place of work in appropriate circumstances.
- 6.5 Heads of Service are responsible for the proper care and custody of stocks and stores within their Service Area, and should keep appropriate accounting records (including "stocktaking") to the satisfaction of the Head of Finance.

- 6.6 Disposal of land or property should always be for best consideration, subject to the principles contained in the Asset Management Strategy and follow the Code of Procurement Practice. The Head of Development Services, in consultation with ward councillors and the relevant Head of Service of the service area owning the land, may authorise disposals up to £19,999. Any disposals with a value of £20,000 or above require approval by Executive. The Strategic Asset Group (SAG) should consider any proposed disposal prior to its consideration by the Executive.
- 6.7 All proposals for the acquisition of land or property should be considered against the principles contained in the Asset Management Strategy and be subject to a detailed business case bringing together all revenue and capital financial implications, and details of proposed funding. The business case will be subject to Executive approval.

7. BANKING ARRANGEMENTS AND TREASURY MANAGEMENT

- 7.1 The Head of Finance is responsible for all arrangements with the Council's bankers. All arrangements for handling the Council's cash and fund balances require the approval of the Head of Finance. The Treasury Management Strategy and Treasury Management Practices set out the arrangements to be followed in more detail.
- 7.2 All instruments of payment, including cheques, BACS, Fastpayments, CHAPS etc, from any of the Council's accounts, and the proper custody thereof, are the responsibility of the Head of Finance.
- 7.3 Cheques drawn on the Council's banking account must bear the facsimile signature of the Head of Finance or be signed by an officer authorised to do so by the Council. Cheques for and over £50,000 must bear a personal signature of two authorised bank signatories.
- 7.4 Creditor payments by BACS for £50,000 and over must be individually authorised by two bank signatories.
- 7.4 The use of corporate procurement cards is restricted to staff who have been authorised by their Head of Service and have been issued with guidelines/procedures and signed to confirm their understanding of them.
- 7.5 The Head of Finance must ensure a prompt monthly reconciliation of the Council's bank accounts with its cash books.
- 7.6 The Head of Finance shall compile annually, a Treasury Management Strategy and Annual Investment Strategy for approval by the Executive and Council. The responsibilities for Treasury Management are set out in the Treasury Management Practices which form part of the Strategy.
- 7.7 All day-to-day treasury management matters, including leasing and similar financing arrangements, are the responsibility of the Head of Finance under the terms of the Treasury Management Strategy. All borrowing, investment and other financing arrangements must be in the name of the Council.
- 7.8 All Trust Funds held by the Council shall, where legally possible, be in the name of the Council. Officers acting as trustees by virtue of their official position shall deposit all securities and similar documents relating to the Trust under arrangements approved by the Head of Finance unless the Trust Deed provides otherwise.

8. PROCUREMENT CARDS AND PETTY CASH

- 8.1 Procurement Cards are issued various Council staff, replacing the previous Corporate Credit Card arrangements. These cards must be used for low value orders and to reduce the demand on petty cash. Finance are responsible for their issue. Petty Cash must only be used in exceptional circumstances where it can be clearly demonstrated it is not appropriate to raise an order or use a Council Procurement Card.
- 8.2 Heads of Service are responsible for authorising who in their Service Area requires a Procurement Card for a business need. Procurement Card should only be requested where it is not possible to enter into a contractual arrangement or place an order.
- 8.3 Petty cash imprests will be advanced to Officers as may be determined by the Head of Finance and will be of an amount determined by him. No single payment in excess of fifty pounds, or such other figure as may be determined from time to time by the Head of Finance, will be made out of petty cash except by special arrangement with the Head of Finance.
- 8.2 At the end of each month, or unless otherwise agreed by the Head of Finance, petty cash records and supporting documents will be produced to the Head of Finance for checking, after which petty cash floats will be reimbursed.
- 8.3 A value-added tax receipt must be obtained where a payment includes value-added tax.
- 8.4 All income must be banked on behalf of the Council (as detailed in paragraph 5.1) and not paid into any petty cash imprest account.
- 8.5 Service Managers responsible for imprest accounts will, at 31 March each year, or at other times if requested, produce to the Head of Finance a certificate as to the balance of that account.
- 8.6 Purchasing of small value items by Procurement Card or through Petty Cash should only be for authorised expenditure for Council purposes which it is legally permitted to incur. These methods must not be used where the Council has a Contracted Supplier in place or for recurrent purchases where an order should be raised.

9. CAPITAL INVESTMENT PROGRAMME

- 9.1 The capital investment programme (including both Housing and General Fund services) is an important contribution to the delivery of the Corporate Strategy. Schemes will only be included in the programme once they have been approved by the Executive.
- 9.2 Prior to a scheme being incorporated in the Capital Programme, a business case for the scheme must be presented to the Executive. The business case must include details of:-
- How the scheme will contribute towards the Council's priorities and it's Fit for the Future Programme, as set out in other policies and strategies, and service plans
 - a robust estimate of the capital cost of the scheme

- The revenue implications
 - proposed funding for the scheme, both revenue and capital
 - VAT implications
 - Analysis of risks and mitigations.
- 9.3 If prior to a business case being submitted to Executive, funding for feasibility works is required, this should seek to be accommodated out of existing revenue budgets, or specific funding agreed.
- 9.4 The Executive should only agree to any scheme if it can be accommodated within the Council's available funding and the medium term financial strategy (including revenue implications) or Housing Revenue Account Business Plan, if they comply with:
- (a) any guidance issued by the Head of Finance; and
 - (b) any guidance from the Executive in relation to overall resource levels, and they form part of an approved service plan and consistent with the Fit for the Future Programme.
- 9.5 The Head of Finance shall propose the Capital Programme for the next five years as part of the main Budget and Council Tax setting report to the Executive in February of each year.
- 9.6 Within the Capital Programme there are some rolling programme items which are included each year. These include Housing Improvements and Housing Grants. These will be included in the proposed Capital Programme each year, subject to there being sufficient funding. Once the Capital Programme has been agreed by Council, these schemes can be progressed once the relevant Head of Service had agreed with the relevant portfolio holder, in consultation with the Head of Finance and the Finance Portfolio Holder, the annual programme for the use of that budget.
- 9.7 Once a scheme and its associated funding has been agreed by the Executive and Council, the Service Manager should progress the scheme, ensuring compliance with the Codes of Financial and Procurement Practice. The relevant Head of Service may proceed to accept a tender if the tender is within the estimate of the cost approved by the Executive.
- 9.8 In the event that the tender exceeds the cost approved by the Executive, the Head of Service concerned must consult the Head of Finance prior to a further report being submitted to the Executive.
- 9.9 The responsibility for the management of the project will rest with the relevant Head of Service. He/she will be responsible for the delivery of the objectives set for the project within the agreed budget and for the financial management of the capital project and all necessary reporting to the Executive. This will include periodic reporting on progress as may be required by the Executive as well as within the monthly budget monitoring process (Section 3.6). Consideration must be given to the introduction of a Project Team to oversee the project where there is substantial expenditure involved or it is politically sensitive.
- 9.10 Along with progress being monitored as part of monitoring and review of budgets and final accounts, projects should be subject to an appropriate post implementation review to confirm whether the project objectives have been met.

9.11 Supplementary Budgets and Virement (Capital)

- 9.11.1 In respect of Capital Schemes in the Council's approved Capital Programme, the Executive can approve requests for Supplementary Estimates up to a total of £300,000 in respect of General Fund Other Services Schemes, and up to a total of £300,000 in respect of Housing Investment Programme Schemes, in any one financial year. This is subject to the total for each request not being more than £50,000 per scheme, and to the appropriate funding being available and agreed.
- 9.11.2 The Executive shall receive a report on all capital schemes where it is apparent that the scheme cost will exceed the original estimate by 5% or £10,000, whichever is the greater, together with recommendations for the funding of the increase.
- 9.11.3 A Head of Service responsible for a capital project, and in consultation with the Head of Finance, may approve a transfer of Budget from one capital scheme (subject to the transfer not exceeding 5% of the estimated increased capital cost of the project up to a maximum of £10,000) to another subject to the Head of Service reporting his action to the next meeting of the Executive.
- 9.11.4 Subject to 9.11.3 above, where there are scheme reports which project underspendings on particular schemes, this funding will be returned to the overall Council's Reserves.
- 9.11.5 Funding for the introduction of new schemes into the Council's Capital Programme can only be approved by full Council.

10. MANAGEMENT OF THE REVENUE BUDGET

- 10.1 The inclusion of items in approved revenue budgets shall constitute authority for the Head of Service concerned to incur such expenditure on the provision of the agreed service unless the Executive or the Council shall have placed a reservation on any such item or items. Expenditure on reserved items may be incurred only at such time as the reservation is removed.
- 10.2 Responsibility for managing the revenue budget for each service is that of the Head of Service. Heads of Service may delegate authority to spend but may not delegate their over-riding responsibility for their budgets. The manager shall provide such information at such frequency as may be required by the Executive, Finance and Scrutiny or Overview and Scrutiny Committees, the Corporate Management Team or the Head of Finance in order that financial performance may be monitored and regulated.
- 10.3 Where another Service Area is responsible for the operational running of the service (for example Repairs and Maintenance of another Service Area's Assets), expenditure should only be incurred as agreed with the Budget Holding Service Area.

11. OBJECTIVES OF BUDGETARY CONTROL

- 11.1 The Overall objective is to control the General Fund and Housing Revenue Account net expenditure containing it within their budgeted levels, and thereby make budgeted contributions to or from reserves at year end. This will thereby satisfy the highest standards required of local authorities.

- 11.2 Each Head of Service and Budget Manager is responsible for ensuring expenditure on services, and income for services, is in line with the agreed budget, subject to the rules on virement (below) and supplementary budgets.
- 11.3 All expenditure and income should be coded to the correct allocation code. Budgets can only be vired to match the expenditure or income, again, subject to the rules of virement (below). Income/Expenditure should not be coded to where the Budget is, where this code is not consistent with the actual activity.
- 11.4 Budget managers will monitor their budgets throughout the year and notify the Head of Finance of any likely variations to their budget as part of the monitoring process and Budget Review Process, raising any significant issues immediately in line with sections 12 and 13 below.
- 11.5 Prior to tendering to renew an existing contracted service or for a new one, the manager must determine the amount of existing Budget available. During the procurement process, managers must then accommodate the agreed tender within these resources, should this be proven not to be possible the matter must be discussed with Finance at the earliest opportunity and the most appropriate course of action adopted in line with both this Code and the Code of Procurement Practice. Similarly as part of the Contract Management requirements within the Code of Procurement Practice, subsequent price variations arising during the contracted period must be reported to Finance.

12. VIREMENT

- 12.1 The Council's annual budget publication, "Budget and Financial Information", as issued to all members and on the Council's website, contains details of all service budgets broken down over the relevant budget heads. The budget heads will be determined by the Head of Finance in accordance with relevant statutory and other guidance, and to reflect the requirements of the Council.
- 12.2 The scheme of virement will be administered by the Head of Finance within guidelines set by full Council. Any variation to this scheme will require approval of full Council.
- 12.3 The overall Budget is agreed by the Executive and approved by full Council. Managers are authorised to incur expenditure in accordance with the individual budgets that make up that Budget.
- 12.4 Virement is the legitimate transfer of available resources from a budget head to another budget head (e.g. subsistence to office equipment). Use of virement must not create additional overall budget liability, and the detailed controls within the scheme are designed to prevent that occurring.
- 12.5 Virement within the same service can be exercised by Heads of Service on budgets under their control subject to the prior agreement of the Head of Finance and subject to the restrictions in this code.
- 12.6 Virement of amounts greater than £50,000 must be subject to the agreement of the Head of Finance and relevant Service Manager, in consultation with the relevant portfolio holders. Details of these virements should be reported to the Executive for information. Such a report must also cover any future year's implications.

- 12.7 Virement of amounts greater than £100,000 will require approval of the full Council following approval of the Head of Finance prior to the amendment being recommended to Members
- 12.8 The following budget heads may not be the subject of virement without the prior approval of the Head of Finance
- Capital Financing Charges (except subject to 12.13 below)
 - Budgets controlled or contracted centrally (e.g. rates, insurances, postages)
 - Support Services costs (recharges)
 - Additional resources granted during the year especially when the additional budget is for a specific purpose. including "earmarked reserves"
 - Any budgets which alter the Council's financial position as determined by the Head of Finance (e.g. expenditure budget between Housing Revenue Account and General Fund, expenditure between revenue and capital)
- 12.9 Underspends in salary budgets may be used to deliver the same service by alternative means, subject to the prior approval of the Head of Finance. Any implications for the approved Staffing Establishment will need to follow the process agreed by HR and the Employment Committee.
- 12.10 The Council's General Fund Corporate Repairs and Maintenance budget is the responsibility of the Head of Housing and Property Services and is overseen by the Asset Management Group. Prior to each financial year the Head of Housing and Property Services will present to the Executive the proposed allocation of the budget over the specific projects for approval. Further updates are presented to the Executive for approval as necessary. The responsive element of the budget will be managed by the Head of Housing and Property Services in accordance within approved protocols. The allocation of the Corporate Repairs Budget may impact upon the Capital Programme, but this should always have a neutral impact with the funding matching the expenditure. Where the Capital Programme needs to be amended, this should be reported upon, and addressed along with the project approvals.
- 12.11 The Council holds some earmarked reserves and a Contingency Budget. These are held as good financial practice, with each reserve/budget being assigned for a specific purpose. The use of each reserve/budget, and the mechanism for accessing the funding will be agreed by the Executive and be reviewed at least annually.
- 12.12 In managing their budget, all managers will manage their service within the agreed budget for the year. In doing so, they must account for all controllable income and expenditure, closely monitoring areas which may be affected by external factors. When procuring and agreeing contracts, managers must refer to the Code of Procurement Practice to ensure annual increases and variations will not jeopardise their budgets. Support service recharges and capital charges are excluded from these directly controllable budgets that managers are responsible for) and closely managed. Nonetheless, managers should have regard to levels of Support Service resources consumed by their services and the cost of Capital Investment in their assets.
- 12.13 Budget Managers will have freedom to move budgets within individual services as described in this section. There may be occasions where responsibility for a service or part thereof is transferred from one Service Area to another. The associated budget must be transferred subject to approval of the Head of Finance.

- 12.14 Where additional income is received, or expenditure is below budget due to circumstances not under their direct control, the benefit of these savings will not automatically accrue to the benefit of the service. These savings must be reported to the Head of Finance so as to be reported to the Executive, and to be used corporately.
- 12.15 Where Service Managers believe it will not be possible to accommodate the cost of a particular service within the agreed budget, this must be reported to the Head of Finance at the first opportunity. Appropriate action will then need to be agreed (see section 13.5 below).
- 12.16 In managing budgets, the overall priority is to ensure that the overall net expenditure on a specific service is within the overall budget for that service. Managers must take appropriate actions to ensure that this is complied with. Accordingly, whilst there may be variances alongside individual component budgets, managers need to take a strategic view of their budgets. This will entail them proactively viring between individual budget lines within a service budget. An overspend on one budgethead should be compensated by an underspend on another, where this is not possible section 13.5 may apply.
- 12.17 Where a saving is identified by a Head of Service (outside of those in 13.5, where the monies will be required to compensate for other unmet demands), this must be reported to the Head of Finance. The Head of Finance will make the necessary budget reduction, so reducing the Council net total budgeted expenditure. Details of this should be reported to the next appropriate Executive meeting. These reductions may be on a recurrent or non-recurrent basis. Should the Service Manager subsequently find this budget is still needed for its original purpose, this should be reported to the Head of Finance who will agree the appropriate action to be taken.

13. SUPPLEMENTARY REVENUE BUDGET REQUESTS

- 13.1 The Executive will have the responsibility of overseeing the management of in year adjustments (Supplementary Budgets), as defined in the Council's Budget Framework.
- 13.2 The Executive can approve requests for Supplementary Budgets up to a total of £300,000, in respect of the Housing Revenue Account, and £300,000 in respect of General Fund revenue, in any one financial year subject to each request not being for more than £50,000, and to the appropriate funding being available and agreed.
- 13.3 In cases of extreme urgency, the Chief Executive, with the agreement of the Head of Finance, after consultation with the Leader of the Council, and the relevant Portfolio Holder, may agree to a Supplementary Revenue or Capital Budget, along with the appropriate funding. As soon as possible afterwards, a full report must be issued to the Executive and Council explaining the reason for the Supplementary Budget and how it is to be funded. This is in accordance with paragraph G(17) within the Scheme of Delegation.
- 13.4 Where a Head of Service identifies a potential overspending (or shortfall in income) which cannot be dealt with under sections 11 and 12 above and falls outside the scope of 13.5 below, the Head of Service must report to the Head of Finance who will decide if further action to request a Supplementary Budget is justified in light of other Council priorities and available resources.

- 13.5 Where a Head of Service identifies a potential overspend that is totally unavoidable and for which there are no corresponding savings on other budget lines which may accommodate this overspend, the Head of Finance, in consultation with the Finance Portfolio holder, will consider a supplementary Budget (subject to a maximum of £50,000). Details of this and the associated financing must be reported to the next appropriate Executive meeting. Sums over £50,000 will need Executive approval in accordance with paragraph 13.2.
- 13.6 Where a saving is identified by a Head of Service (outside of those in 13.5) this should be reported to the Head of Finance. The Head of Finance may then make the necessary budget reduction, so reducing the Council net total budgeted expenditure. Details of this should be reported to the next appropriate Executive meeting. These reductions may be on a recurrent or non-recurrent basis. Should the Service Manager subsequently find this budget is still needed for its original purpose, the Head of Finance may approve that this is restored.
- 13.7 Where a Head of Service identifies a potential need, or a development that is not included within the Service Plan and budget (not covered by 13.5 above), that manager must prepare a report for the Senior Management Team to consider the implications.
- 13.8 The report must include the likely cost of the development in a format and degree of detail agreed by the Head of Finance.
- 13.9 If the Senior Management Team supports the development, then a report will be prepared for submission to the Executive, including a request for a supplementary Budget, and details from the Head of Finance on the means of funding the request.
- 13.10 On extremely rare occasions, it may be necessary for the Head of Finance to express a minority view that on financial grounds the request for a supplementary Budget should not be agreed. In such circumstances the Chief Executive will decide if the report requesting the supplementary estimate can be allowed to proceed to the Executive. If the Chief Executive does permit the submission of the report to the Executive, a separate report from the Head of Finance must be included for consideration at the same time. In these instances, it may be appropriate for the Head of Finance to utilise the provisions under S114 of the Local Government Act 1988.
- 13.11 There may be other circumstances where the Chief Executive believes that a request for a supplementary Budget is inappropriate, and in those circumstances the Chief Executive will decide whether or not a report be submitted to the Executive.
- 13.12 The Head of Finance shall submit to the Executive, as soon as possible after the financial year-end, a statement summarising those accounts, together with such observations on variations between actual and estimated sums as appear necessary.

14. RISK MANAGEMENT AND INSURANCE

- 14.1 Risk management is an important element of corporate governance. An embedded risk management framework enables an organisation to consider the potential impact of all types of risks on its processes, activities, services and stakeholders.

- 14.2 The Audit and Risk Manager shall be responsible for the development, monitoring and review of the Council's risk management policy, which will be approved by Executive, and shall be the Council's principal risk management adviser and co-ordinator.
- 14.3 The Council shall nominate an officer as the Risk Champion who shall be responsible for promoting risk management within the authority and for ensuring that the council's risk management policy is adhered to by Heads of Service.
- 14.4 Risk Management Responsibilities of Heads of Service:-
- a. To promote a culture of risk management awareness throughout the authority.
 - b. To take responsibility for managing risks, having regard to advice from the Head of Finance and Audit and Risk Manager and other specialist officers (e.g. crime prevention, fire prevention, health and safety).
 - c. To adhere to the Council's Risk Management Strategy ensuring that strategic and operational risks are identified, managed and controlled within their services.
 - d. To notify the Head of Finance (or representative) promptly of all new risks, activities, properties, vehicles or other assets that require insurance and of any alterations affecting existing insurances.
 - e. To notify the Head of Finance (or representative) immediately of any loss, liability or damage that may lead to a claim against the authority, together with any information or explanation required by the Head of Finance (or representative) or the authority's insurers.
 - f. To maintain inventories of equipment.
 - g. To consult the Head of Finance (or representative) on the terms of any indemnity that the authority is requested to give.
 - h. To ensure that employees, or anyone covered by the authority's insurances, do not admit liability or make any offer to pay compensation that may prejudice the assessment of liability in respect of any insurance claim.
 - i. To adhere to the authority's Business Continuity Policy ensuring that adequate and effective Business Continuity Plans are in place within their services.

15. **INTERNAL AUDIT**

- 15.1 The Council shall maintain an adequate and effective Internal Audit Service in accordance with statutory requirements and in line with the CIPFA Code of Practice for Internal Audit in Local Government, CIPFA'S Statement on the Role of the Head of Internal Audit (HIA) in Public Service Organisations and professional auditing standards. In addition to the Council being required to "make arrangements for the proper administration of their financial affairs" under the Section 151 of the Local Government Act 1972, the Accounts and Audit Regulations 2011 specifically require that a "relevant body shall maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to

internal control”.

15.2 The Powers and Duties of Internal Audit

Internal Audit is an assurance function that provides an independent and objective opinion to the organisation on its control environment by evaluating its effectiveness in achieving the organisation’s objectives and contributing to the proper, economic, efficient and effective use of resources.

15.3 Internal Audit has an unrestricted range of coverage of the Council’s operations. To fulfil its duties it has authority to:-

- a. enter at all reasonable times, on any Council’s premises or land;
- b. have access to all records, documents, correspondence and computer systems relating to the Council;
- c. require and receive such explanations as necessary concerning any matter under examination;
- d. require any employee of the Council to produce records, cash, stores or any other Council property under their control;
- e. report direct to the Chief Executive, Section 151 Officer, Leader of the Council, Members or External Auditor.

15.4 Duties of Heads of Service:-

- a. To cooperate with and assist internal auditors in the conduct of their audits and investigations.
- b. To ensure that internal auditors are given access at all reasonable times to premises, personnel, documents and assets that the auditors consider necessary for the purposes of their work.
- c. To ensure that internal auditors are provided with any information and explanations that they seek in the course of their work.
- d. To notify the Head of Finance or the Audit and Risk Manager of any suspected fraud, theft, irregularity, improper use or misappropriation of the authority’s property or resources. Pending investigation and reporting, the Head of Service should take all necessary steps to prevent further loss and to secure records and documentation against removal or alteration.
- e. To consider and respond promptly to recommendations in audit reports.
- f. To ensure that any agreed actions arising from audit recommendations are carried out in a timely and efficient fashion.
- g. To establish and maintain effective systems of control that prevent fraud and corruption.

15.5 For Internal Audit to fulfill its responsibilities effectively, it must be independent of the activities it audits. In order to achieve this, it should not be involved, as a matter of routine, in the operation of any procedures within the Council.

15.6 Internal Audit shall report any significant control weaknesses in systems to the appropriate Head of Service. If action is not taken within a reasonable time,

escalation procedures will be commenced, including reporting the matter to the Chief Executive, the Monitoring Officer, the Section 151 Officer and/or the Council's Finance and Audit Scrutiny Committee.

15.9 Fraud, corruption and other irregularities

The Audit and Risk Manager shall develop and maintain an anti-fraud and corruption policy and whistle blowing policy.

15.10 Any officer who suspects that any council policy or code of practice has been breached, that any financial records may have been falsified or that resources of the Council have been stolen, must immediately notify the Head of Finance or the Audit and Risk Manager personally, and confirm this in writing.

15.11 The Audit and Risk Manager, in consultation with the Head of Finance, shall take such steps as considered appropriate by way of investigation and report, including the involvement of the police where necessary.

16. THE MONITORING OFFICER

16.1 As indicated in paragraph 2.6 the Deputy Chief Executive is the Council's Monitoring Officer under the Local Government and Housing Act 1989 (S5). The Monitoring Officer must be consulted by Heads of Service if proposed courses of action could lead to illegal or other inappropriate actions by the Authority.

16.2 The Monitoring Officer will then decide the appropriate course of action.

17. NON-COMPLIANCE WITH THE CODE

17.1 The Heads of Service should advise the Head of Finance immediately, should they become aware of any non-compliance with this Code of Practice or the Code of Procurement Practice.

17.2 The Head of Finance, on becoming aware of any non-compliance, shall notify the Monitoring Officer, and the Chief Executive of the circumstances. The Monitoring Officer, the Chief Executive and the Head of Finance will then decide the action required.