

Code of Financial Management

1. FINANCIAL RESPONSIBILITIES

General

- 1.1. Before any proposal that affects the Council's financial position is made the body or person(s) responsible for making that decision, or for making a recommendation to that body or person(s), shall consider a written report, approved by the officer accountable for the appropriate budget, detailing the financial implications.

The Council

- 1.2. Will:

- determine the Council's Medium Term Financial Strategy (MTFS), approve the annual budget and set the level of the Council Tax.
- approve the Council's Treasury Management Strategy (TMS) and prudential indicators.
- approve changes to this code.

The Corporate Governance Committee

- 1.3. Will:

- ensure that the financial management of the Council is adequate and effective.
- ensure that the Council has a sound system of internal control including arrangements for the management of risk.
- consider the Council's code of corporate governance and approve the annual statement.
- approve the internal audit charter and the annual internal audit plan and comment on the external audit plan.
- approve the Council's Annual Financial Report (AFR), which includes the statutory accounts.
- consider reports from the external auditor.
- recommend changes to this code to the Council.

The Cabinet:

- 1.4. Will propose to the Council:

- the MTFS.
- the annual budget and Council Tax level.
- a combined annual report including the TMS, Treasury Management Policy, and the Treasury Management and Commercial Investment Strategy prudential indicators.
- after considering the views of the appropriate Overview and Scrutiny Panel and representatives of the business community, set financial priorities, allocate and re-allocate resources in accordance with the limits in this code, monitor and review financial performance.
- approve the Risk Management Strategy.

Overview and Scrutiny Panels

- 1.5. Will contribute to the development of, and review the effectiveness of, the Council's MTFS, Treasury Management and annual Budget.

Cabinet and Committees (and sub-committees)

- 1.6. Will ensure that all decisions within their remit are made within the relevant budgets and are consistent with achieving the Council's corporate plan and adopted policies. If they wish to make proposals that will require additional resources, these will need to be subject to officers, the Cabinet or the Council making these available through the normal process.

Budget Managers and Executive Councillors

- 1.7. Will own and manage the budgets within their responsibility. Specifically, they will effectively plan and control financial activity to ensure efficient and effective use of resources. Budget Managers should ensure that the full financial implications of all decisions are properly assessed and highlighted to decision makers.
- 1.8. Will take lead responsibility for planning the Budgetary Cycle, including monitoring and forecasting of revenue activity so far as it is related to those budgets.

Members and Employees

- 1.9. Will contribute to the general stewardship, integrity and confidence in the Council's financial affairs and comply with this code and any systems, procedures, or policies relating to the financial management of the Council.
- 1.10. Specifically, they shall bring to the attention of the Responsible Financial Officer (RFO) any act or omission that is contrary to the provisions of this code or the maintenance of high standards of financial probity, and provide information or explanation on matters within their responsibility to him/her, the Monitoring Officer (MO), Internal Audit Service or the Council's external auditors.
- 1.11. Any member or employee who is involved in a transaction with the Council, or who has an **interest** in a transaction between a third party and the Council, shall declare the nature and amount to the MO before any decision on the matter is made by the Council. The MO will advise the member or employee of any actions they should or must take.
- 1.12. For the purpose of this section an interest also includes any interest of a member of your family or a close associate or acquaintance. This shall be interpreted as anyone whom a reasonable member of the public might think you would be prepared to favour or disadvantage.

The Monitoring Officer (MO) or, in their absence, the Deputy Monitoring Officer (DMO).

- 1.13. Will report to the Council on any proposal, decision or omission that in their view is likely to result in a contravention of the law or any code of practice enacted under it, fails to comply with a legal duty, represents maladministration or is unjust, in accordance with section 5 of the Local Government and Housing Act 1989.
- 1.14. For these purposes he/she shall have full and unrestricted access to all Council assets, systems, documents, information, employees and Members.

The Responsible Financial Officer (RFO).

- 1.15. Will be responsible for the proper administration of the Council's financial affairs, prescribe appropriate financial systems, protocols, procedures and policies, maintain an internal audit service and report to the Council in the event of a decision or action leading to unlawful expenditure, a loss or deficiency or an unlawful accounting entry (in accordance with section 151 of the Local Government Act 1972, section 114 of the Local Government Act 1988 and the Accounts and Audit Regulations).
- 1.16. Will be responsible for ensuring the final accounts are completed and published by the statutory dates and reporting the details of any material amendments specified by the external auditor to the Corporate Governance Committee.
- 1.17. For these purposes they shall have full and unrestricted access to all Council assets, systems, documents, information, employees and Members.
- 1.18. The RFO officer will be responsible for detailed and operational aspects of the administration of the Council's financial affairs, approving new financial systems and undertaking such duties as are set out in this code.

Budget Managers (Team Managers, Heads of Service, Assistant Directors, Corporate Directors and Managing Director)

- 1.19. The Council's management structure is based on Team Managers, Heads of Service, Assistant Directors, Corporate Directors and the Managing Director taking responsibility for a service and its related budget. For the purpose of this Code they are referred to as Budget Managers. Whilst they retain ultimate responsibility they will often delegate appropriate tasks to their members of staff.

The Budget Manager responsible for a budget:

- will be responsible for proper financial and resource management and the prevention of fraud and corruption within the services and functions under their control and will be responsible for informing the Internal Audit Manager of all suspected or notified cases of fraud, corruption or impropriety.
- will be responsible for preparing and submitting the capital project appraisal form for approval.
- will be responsible for developing and submitting a detailed business case if required (following approval of the capital project appraisal form).
- may incur financial commitments and liabilities in accordance with this Code, the Council's scheme of delegation and resources allocated in their budgets. In particular they may make purchases of goods and services, subject to the requirements of the code of procurement, and employ staff, in accordance with HR policies and any CLT requirements.
- will need approval from their Head of Service or Assistant Directors in consultation with Corporate Director for appointments for vacant posts at Grade D and below.
- will need approval from CLT for the appointment to vacant posts of Grades E and above.
- will be responsible for regular and effective monitoring and forecasting of the financial position relating to their services.

- will, in accordance with the risk management strategy determine the inherent risks within their services, to the achievement of the Council's priorities and establish, maintain and document adequate systems of risk management and internal control, in consultation with the Internal Audit service, and ensure that relevant employees or Members are familiar with such systems.
- will be responsible for providing in a timely manner, the information necessary to ensure that the final accounts can be completed by the statutory deadlines.
- will be responsible for improving the value for money and efficiency of their services and in discussion with their accountant, ensuring that any budget adjustments are included in the following years budget process.
- will be responsible for identifying opportunities and then bidding for grants or contributions from other bodies to support the achievement of the Council objectives through their services.
- annually review their services to identify any aspects that are not currently charged for, but could be and the appropriateness of the current charges.
- annually review their fees and charges in line with the Fees and Charges guidance for managers and in consultation with the Executive Councillors, with any changes being included in and approved with the annual budget. Changes within the financial year will be subject to consultation with the Executive Councillors and approved by the RFO. In doing so:
 - charges should be made for services whenever the Council has a power or duty to do so.
 - however, this presumption may be modified by the application of the charging principles set out at below, which may result in no charge being made or a lesser charge being made or in some cases a charge being made which is greater than that required for cost recovery.
 - no charge will be made in cases where the Council is not permitted to charge by law. Where charges are set by external bodies, those charges will be applied. Where maximum or minimum charges are specified externally, charges will be set in compliance with those requirements.
 - when deciding to set a charge which is not based on cost recovery, general areas of consideration are set out at in the Fees and Charges Guidance for Managers. This provides relevant factors which should be taken in to account.
 - where without prior agreement by the Council, individuals or organisations engage in activities that result in a cost to the Council, the Council will seek to recover this cost, wherever possible.
 - consideration may be given to offering a discount or other reduction, in appropriate cases, where it is felt that this may improve take up of the service or to encourage prompt payment, following consultation with Head of Services or Assistant Director and the S151 Officer.
 - activities carried out by the Council will be continually reviewed in order to identify any new areas where it would be appropriate to make a charge to persons or organisations benefiting (actually or potentially) from those activities. The level of the charge will be determined in accordance with these charging principles.
- will be accountable for the delivery of services, projects, contracts within the budgets set by the Council.
- will be accountable for financial performance and ensuring, wherever possible, appropriate comparisons are made against service standards or other organisational comparators.

Internal Audit

- 1.20. Will be responsible for providing an independent and objective opinion on internal control and governance systems. It will act in accordance with the internal audit charter and undertake reviews that focus on areas of greatest risk to the Council's control environment as contained within a programme agreed annually by the Corporate Governance Committee after consultation with the RFO and budget managers.
- 1.21. For these purposes internal audit shall have free, full and unrestricted access to services and functions and all Council assets, systems, documents, information, employees and Members. All employees are required to assist internal audit to carry out its role.

2. FINANCIAL AND SERVICE PLANNING

June - Overall review

- 2.2. The Cabinet shall review the financial performance of the Council in the previous year, compared with the annual budget, on the basis of the provisional outturn report prepared by the RFO in conjunction with budget managers.

August to January – Preparation of the draft budget and MTFS

- 2.3. The RFO in conjunction with budget managers will review and prepare the draft annual budget and the MTFS for review by Cabinet after consultation with the relevant Overview and Scrutiny panel.

February - Annual budget, MTFS and service plans

- 2.4. The Cabinet shall, after consultation with the relevant Overview and Scrutiny Panel, recommend to the Council an annual budget for the next financial year and a MTFS for the succeeding four years, incorporating both capital and revenue expenditure, which is consistent with corporate and service strategies. Following approval of the annual budget each budget manager shall update their service plan(s) to reflect the approved budget and how the resources allocated will be used to meet service objectives in the forthcoming year.

March to May – Annual Financial Report (AFR)

- 2.5. The RFO in conjunction with the budget managers will prepare the AFR. The AFR includes the statutory annual accounts which subject to external audit will be approved by both the RFO and Corporate Governance Committee.

3. CONTROLLING FINANCIAL PLANS

Financial Monitoring

- 3.1. Budget Managers will be responsible for regular and effective monitoring and forecasting of the financial position relating to their services. Where it is identified that there will be a significant overspend or underspend, this will be promptly reported to the RFO by the budget manager. If it is considered necessary by the RFO in delivering projects or programmes, the same discipline will apply.

- 3.2. On a periodic basis the financial and overall performance of the Council will be reviewed by the budget managers and the relevant Executive Councillors. This will include trend and forecast data and, where available comparative data.
- 3.3. CLT will review, on a periodic basis, the Financial Performance Monitoring Suite (FPMS). The FPMS will be reported to Cabinet on a quarterly basis. The FPMS will be prepared by the RFO, in consultation with each Head of Service or Assistant Director and budget manager to include comparisons with other service providers and local trend data.

Commitments to Expenditure in Future Years

- 3.4. No new commitment to expenditure beyond the current budget year may be made unless it:
- is consistent with the achievement of the Council's objectives and other relevant strategies, and
 - is compatible with the Council's MTFS.

Grants, Cost Sharing and S106/CIL agreements

- 3.5. Where a budget manager proposes to take advantage of:
- receipts of grants, contributions and other forms of external funding, or
 - enter cost sharing arrangements,
- 3.6. with other organisations, and where such arrangements will deliver additional or improved services, consistent with their service plan without creating any current or future commitment to net expenditure they may do so subject to:
- the relevant Head of Service or Assistant Director being satisfied that the project funding meets with corporate objectives and that the resource required to produce the bidding documents is reasonable.
 - the funds being dependent upon a particular project or service being provided but, in the case of S106/CIL agreements, the location or some other aspect is at the Council's discretion.
 - informing the RFO of the details.
 - consulting the relevant Executive Councillor(s) if the proposal exceeds £30,000 revenue or £50,000 capital in any one year with any capital having been previously agreed with the MTFS or any discretionary element of a S106/CIL agreement.
- 3.7. A budget manager may utilise sums of money received under S106/CIL, or equivalent agreements where there is no discretion. The RFO should be informed of the details including:
- A copy of all information that supports the grants received (grant letter etc) so a decision can be made in respect of the correct accounting treatment.
 - Documentation confirming how they plan to meet any grant conditions, including suitable monitoring and reporting arrangements.

Approvals for additional spending with a net impact

- 3.8. The Managing Director, or in their absence, the RFO, may incur expenditure for the immediate alleviation of hardship or suffering in the case of peacetime emergency in the

district. Any exercise of this power must be reported to the Cabinet (under £500,000) or the Council (over £500,000) at the first opportunity.

- 3.9. The Managing Director, or in their absence, the RFO, may incur expenditure of up to £500,000 for any purpose which is urgent and demonstrably in the Council's best interests to do so following consultation with the Executive Leader or Deputy Executive Leader. Any exercise of this power must be reported to the Cabinet at the first opportunity.

Approvals for additional spending with compensating savings

- 3.10. Proposals that require initial funding but will then result in net surpluses or savings that are at least sufficient to produce a break-even position will be supported in principle if they are:
- consistent with increasing the achievement of the Council's objectives and compatible with relevant strategies.
 - achievable within the Council's MTFS.
 - supported by a robust business case which includes a risk assessment.
 - supported by CLT.
- 3.11. The RFO may approve such a scheme following consultation with the relevant Executive Councillor for the service and the Executive Councillor for Resources. The relevant budget(s) and MTFS will be appropriately adjusted.

Budget Virements

- 3.12. The process of moving budget resources between different areas within the budget year is called a virement. The virement of resources within, or between, any of the types of budgets is supported in principle when it will make it more likely that the Council will achieve its service objectives and targets or enhance value for money.
- 3.13. These limitations are:
- The salary budgets (pay, national insurance and pension) represent the Councils approved establishment list. As such the salary budgets cannot be vired to other areas of the budget. A positive salary budget variance may be used to cover the additional temporary staffing costs incurred due to vacant posts.
 - The corporate finance budgets are those budgets that are necessary to the operation of the Council and have limited controllability. Such budgets included with this area are; minimum revenue provision, interest, pension liability and levies. Changes to the corporate budget can only be made by the RFO following consultation with the Head of Paid Service.
 - Not from capital to revenue.
- 3.14. A Budget Manager may approve a budget virement within and between the budgets they are responsible for providing it is:
- Consistent with increasing, or at least maintaining the achievement of service objectives and compatible with the Council's financial and other relevant strategies.
 - Only a movement of establishment posts to another service as part of a service restructure.
 - Notified to the RFO.
 - Each virement is over £5,000.
 - Within the following limits if between service budgets:

- Revenue to revenue £75k
 - Revenue to capital £75k
 - Capital to capital £75k
- 3.15. CLT may, subject to the same criteria, except for the enhanced limits shown below, approve budget virements between any budgets:
- Revenue to revenue £250k
 - Revenue to capital £250k
 - Capital to capital £250k
- 3.16. Cabinet may approve budget virements of up to:
- Revenue to revenue £500k
 - Revenue to capital £500k
 - Capital to capital £500k
- 3.17. In all cases, any previous transfers in the same financial year relating to those budgets shall be aggregated for determining whether the limit has been exceeded. Providing there is no increase in the “budget requirement”, Cabinet can approve the application of reserves to meet additional expenditure in line with the reserves strategy.
- 3.18. In all other cases the approval of the Council will be required.

Price Base Changes

- 3.19. Inflation will be included, if necessary during the budget process as directed by the RFO.

Capital Programme

- 3.20. The Finance Governance Procurement Board (FGPB) or equivalent will review and recommend to CLT those schemes that should be included in the capital programme, the MTFS and be approved by Cabinet.
- 3.21. FGPB may recommend changes to existing schemes or the introduction of new schemes during the financial year based on the performance of, or delays incurred within the delivery of the approved capital programme plan. Changes to the schemes in the MTFS will be approved by Cabinet.

4. CASH AND CREDIT MANAGEMENT

Banking

- 4.1. The RFO is responsible for all Council banking arrangements and shall maintain an account(s) with an appropriate bank(s) as defined in the Treasury Management Strategy (TMS). All transactions involving income or expenditure shall be dealt with through the Council's bank account(s).

Income

- 4.2. All employees receiving money (including cash, cheques, credit card payments etc.) must comply with the relevant procedures issued by the RFO to ensure that the sums are properly recorded, receipted and banked.
- 4.3. No cash payment in excess of £1,000 will be accepted.

- 4.4. The Chief Operating Officer (Assistant Director) will manage the Council Tax and Non-Domestic Rating collection service on behalf of the Council; including the billing and debt recovery procedures.
- 4.5. The RFO shall manage a sundry debt collection service on behalf of the Council and all sums due must be registered by raising an invoice on the Council's financial management system.
- 4.6. All budget managers are required to ensure that:
- Invoices and invoice adjustments are raised promptly.
 - Invoice queries are answered promptly.
 - The Income Team are informed of any information that may affect the recovery of any invoiced sums.
 - All debts are collected in a timely fashion.
 - They periodically consider, in liaison with the Income Team, whether there would be a more effective or efficient way of collecting sums due (e.g. cash in advance).
 - They comply with the Debt Management Policy.

Treasury Management

- 4.7. All treasury management activities will be undertaken in accordance with the Council's annual Treasury Management Strategy (TMS), which includes the policies, objectives, risk management approach, and the treasury management and commercial investment strategy prudential indicators. The strategy will comply with the Code of Practice for Treasury Management and the Prudential Code for Capital Finance, both published by the Chartered Institute of Public Finance and Accountancy (CIPFA), and reflect any published Government advice. The execution and administration of treasury management is delegated to the RFO.
- 4.8. The Council shall have overall responsibility for treasury management and will formally approve the annual TMS and receive an annual and mid-year report on treasury management activities.
- 4.9. The Cabinet will be responsible for the implementation and regular monitoring of treasury management activity. The Treasury and Capital Management Group will include:
- the Leader, Deputy Leader and the Executive Councillor for Resources. Other members can be co-opted onto the group at the discretion of the Executive Leader.
 - the RFO and as and when necessary the Managing Director and/or Corporate Director (Services). Other officers can be co-opted onto the group at the discretion of the Managing Director or the RFO.
- 4.10. The Overview and Scrutiny (Performance and Customers) Panel will be responsible for the scrutiny of treasury management.

Payments

- 4.11. All payments made by the Council must be made either:
- through the Council's purchase ledger system, with payments being made direct to the supplier's bank account wherever this is practicable.
 - by procurement card.
 - by direct debits or standing orders (after agreement from the RFO).

- by some other system specifically approved by the RFO.
- 4.12. In each case complying fully with the relevant procedures for that system (e.g. appropriate authorisation), particularly the requirement to obtain official VAT receipts, as determined by the RFO. Advice can be sought from the RFO.

5. ACCOUNTING REQUIREMENTS

Best Practice

- 5.1. The Council will follow the best practice guidance contained in the Accounting Code of Practice and other relevant publications produced by CIPFA in the preparation and maintenance of its accounts.

Records

- 5.2. Each budget manager is responsible for maintaining records of their financial transactions and commitments, that they are in the appropriate financial period and with the appropriate account codes. Each budget manager is responsible for ensuring that the financial management system is used only by authorised individuals and for proper council purposes.

Retention of Documents

- 5.3. Documents required for the verification of accounts, including invoices, will be retained for six years plus current year.

Contingent Assets and Liabilities

- 5.4. Any officer who is aware of a material and outstanding contingent asset or liability shall notify the RFO, who shall include details in the Council's accounts or in a Letter of Representation to be presented to the Council's external auditors in respect of those accounts.

Stock

- 5.5. The RFO shall determine, after consultation with the relevant budget manager, when stock accounts shall be maintained. This will normally be where the value of the items are significant or the items are considered to be vulnerable to loss or theft.
- 5.6. In such cases the relevant budget manager shall ensure that a certified stock-take is carried out at the end of March each year, and that records of receipt and issue of all stock are maintained throughout the year in a manner agreed with the RFO.

Insurance

- 5.7. The Internal Audit Manager shall obtain insurance to protect the Council or minimise its potential losses from risks including those to employees, property, equipment and cash. Any decision not to insure significant risks must be based on a detailed risk assessment and reported to the Executive Councillor for Resources.

Write-off of Irrecoverable Debts

- 5.8. The Head of Service or Assistant Director where the debt originated or the RFO is authorised to write-off debt with an individual value up to £5,000. Greater than £5,000 requires consultation with the Executive Councillor for Resources. Appropriate steps must

be taken to ensure that the debt is irrecoverable or cannot be recovered without incurring disproportionate costs.

Accounts Closure, Accounting Accruals and Estimates

- 5.9. The AFR will be produced in line with both statutory regulations and relevant Codes of Practice.
- 5.10. The RFO will ensure that there is appropriate liaison with service teams prior to closure, including the hosting of relevant training and the issue of closure guidance and timetables. The accruals de-minimis limits will be adhered to by all services, and where estimated accruals are to be issued they are to be supported by accurate calculation. Other accounting estimates will be calculated by finance staff in line with professional advice.
- 5.11. Provisions, either for bad debts or other purposes will be calculated in line with the guidelines approved by the RFO. Earmarked reserves will be operated in line with the reserves strategy.
- 5.12. The accounts of the Local Authority Trading Company, HDC Ventures and possibly the Joint Venture Company will need to be included within the Council’s accounts and in particular, any guarantees that the Council gives in respect of the Company should be counted as a liability of the Council under the accounts.

Assets

- 5.13. An asset is an item of land, building, road or other infrastructure, vehicle or plant, equipment, furniture and fittings or information and communications technology (hardware and software) with a life exceeding one year.
- 5.14. The acquisition and disposal of assets will be completed in accordance with the Disposal and Acquisition of Land and Buildings Policy. In addition, there is a new Disposal of Small Land Parcels Policy.
- 5.15. The financial thresholds for both disposals and acquisitions are as shown in the table below:

£0 - £500,000	Managing Director (as Head of Paid Service) & Head of Resources (as Section 151 Officer), following consultation with Executive Councillor for Resources
£500,000 to £2,000,000	Treasury and Capital Management Group
£2,000,000 +	Cabinet

- 5.16. The financial thresholds of the sale or transfer of small land parcels are shown in the table below:

Thresholds of the Sale or Transfer of Small Land Parcels		Table 1
All sales and transfers will include the transfer of all associated liabilities.		Minimum Administration Charge (*)
Transfer of Small Land Parcels to Other Public Bodies		
£0 - £10,000	Finance Manager (as Section 151 Officer),	£500
£10,000 - £50,000	Managing Director (as Head of Paid Service) & Finance Manager (as Section 151 Officer),	£1,000
£50,000 - £100,000	Managing Director (as Head of Paid Service) & Finance Manager (as Section 151 Officer), in consultation with the Executive Member for Strategic Resources.	£1,500
£100,000 - £500,000	Treasury & Capital Management Group.	£2,000
£500,000+	Cabinet.	£3,000
Sale of Small Parcels of Land		
£0 - £10,000	Managing Director (as Head of Paid Service) & Finance Manager (as Section 151 Officer).	£1,000
£10,000 - £100,000	Managing Director (as Head of Paid Service) & Finance Manager (as Section 151 Officer), in consultation with the Executive Member for Strategic Resources.	£1,500
£100,000 - £500,000	Treasury & Capital Management Group.	£2,000
£500,000+	Cabinet.	£3,000

* This Administration Charge excludes all legal and other ancillary costs. Further it is the minimum charge that any prospective purchaser will pay. If any sale requires additional officer time beyond what would reasonably be expected, the vendor will be required to meet this higher charge.

- 5.17 Each Budget Manager is responsible for ensuring that the assets relating to their services are properly safeguarded, managed and maintained, and used only to achieve the Council's objectives. This will include establishing and maintaining appropriate security, control systems and records. They will need to consult relevant officers in relation to specialist

items and, where vehicles are concerned, the officer holding the Council's operating certificate who has specific statutory responsibilities.

5.18 Heads of Service or Assistant Director must keep up to date records so a physical verification of all capital assets, and their condition, is possible.

5.19 Once the asset is disposed of, the relevant budget manager will inform the RFO within 10 working days of the disposal of any asset included in the asset register.

Capital Expenditure

5.20 The purchase or improvement of any asset will normally be treated as capital expenditure. However, expenditure of less than £10,000 will not normally be treated as capital expenditure unless the RFO considers it is in the Council's interests to do so.

Leases

5.21 Finance and operating leases are to be used only if they are in the Council's financial interest and with the prior formal approval of the RFO.

Valuations

5.22 In order to comply with accounting requirements, assets will need to be revalued at regular intervals. A three year "phased" revaluation programme will be followed, other than for:

- those assets that are categorised as "investment" properties (e.g. industrial units), which must be revalued every year, or
- where, following significant capital investment or disinvestment in an asset within an asset group, whereby the whole asset group will be revalued.

5.23 All capital asset revaluations for the AFR will be obtained by the DRFO.

6 Update of the Code of Financial Management

6.1 A review of the Code will be undertaken on an annual basis and this will be presented to the Corporate Governance Committee for approval during the financial year.