

## CODE OF FINANCIAL MANAGEMENT

### 1. FINANCIAL RESPONSIBILITIES

#### 1.1 General

Before any proposal that affects the Council's financial position is made the body or person(s) responsible for making that decision shall consider a written report, approved by the Director of Commerce and Technology, detailing the financial implications.

#### 1.2 The Council

Will determine the Council's Financial Strategy, including a Medium Term Financial Plan (MTP), approve the annual budget and Prudential Indicators and set the level of the council tax.

Will approve the Council's Treasury Management Strategy.

#### 1.3 The Corporate Governance Panel

Will ensure that the financial management of the Council is adequate and effective.

Will ensure that the Council has a sound system of internal control including arrangements for the management of risk.

Will consider the Council's Code of Corporate Governance and approve the annual statement.

Will approve the terms of reference and strategy for internal audit and comment on the annual internal and external audit plans.

Will consider the external auditor's annual management letter.

Will approve the Council's tax base and final accounts.

#### 1.4 The Cabinet

Will propose to the Council the Financial Strategy, the MTP, the annual budget and council tax level, after appropriate consultation which will include the appropriate Overview and Scrutiny Panel, the Prudential Indicators and the annual Treasury Management Strategy.

Will set financial priorities, allocate and re-allocate resources in accordance with the limits in this Code, monitor and review financial performance and adopt a Treasury Management Policy.

#### 1.5 Overview and Scrutiny Panels

Will contribute to the development of, and review the effectiveness of, the Council's Financial Strategy, MTP and annual budget.

#### 1.6 Panels or Committees

Will ensure that all decisions within their remit are made within the resources allocated within relevant budgets and are consistent with achieving the Council's objectives. If they wish to make proposals that will require additional resources these will need to be subject to the Cabinet or Council making these available.

1.7 **Members and Employees**

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.

Specifically, they shall bring to the attention of the Director of Commerce and Technology 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, Internal Audit Service or the Council's external auditors.

Any member or officer who is involved or who has an interest in a transaction between a third party and the Council shall declare the nature and amount, if material, as required by the Accounting Standards Body's Financial Reporting Standard on related party payments.

1.8 **The Director of Central Services, as Monitoring Officer** or, in his/her absence, the Head of Legal and Estates

Will report to the Council on any proposal, decision or omission that in his/her view is likely to result in the 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.

For these purposes he/she shall have full and unrestricted access to all Council assets, systems, documents, information, employees and Members.

1.9 **The Director of Commerce and Technology, as Chief Finance Officer** or, in his/her absence, the Head of Financial Services

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).

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 Panel.

For these purposes he/she shall have full and unrestricted access to all Council assets, systems, documents, information, employees and Members.

1.10 **The Head of Financial Services**

Will be responsible for detailed and operational aspects of the administration of the Council's financial affairs on behalf of the Director of Commerce and Technology, approving new financial systems and undertaking such duties as are set out in this Code.

### 1.11 **Chief Officers and Heads of Service**

Whilst Chief Officers will take ultimate responsibility for their employees actions, the Council's management structure is based on Heads of Service or, in a few cases, Chief Officers taking prime responsibility for a service and its related budget.

The Manager responsible for a budget:

- may incur financial commitments and liabilities in accordance with this Code, the Council's Scheme of Delegation and resources allocated in budgets that have been released. 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 the Officer Employment Procedure Rules. They will normally delegate appropriate elements of this responsibility to members of their staff.
- will be responsible for regular and effective monitoring and forecasting of the financial position relating to their services.
- will be responsible for proper financial and resource management and the prevention of fraud and corruption within the services and functions under their control.
- will determine the inherent risks, within their services, to the achievement of the Council's priorities and establish, maintain and document adequate systems of internal control and financial monitoring, 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 reviewing and varying fees and charges at least annually for services under their control, after consultation with the relevant Executive Councillor(s) and/or Chairman of the relevant Panel. In doing so, they shall:
  - ensure that relevant legislation is complied with, particularly where it specifies the charges to be made or constrains them in some way.
  - having regard to the charges of any alternative service providers with whom the Council is competing, seek to maximise income, net of applicable costs, as far as is possible without compromising the Council's stated corporate priorities and objectives.

- provide discounts where they are expected to stimulate demand and generate additional net income which would otherwise not be obtained and/or they are in the best interests of the service and its customers, particularly where they make the services available to those who could not otherwise afford them, provided that such discounts do not result in additional net cost to the Council.

#### 1.12 **Internal Audit**

Will be responsible for providing an independent and objective opinion on internal control, risk management and governance systems. In accordance with its terms of reference it shall undertake audit reviews that focus on areas of greatest risk to the Council in accordance with a programme agreed annually by the Director of Commerce and Technology after consultation with Heads of Service.

For these purposes internal audit shall have full and unrestricted access to all Council assets, systems, documents, information, employees and Members.

## 2. **FINANCIAL AND SERVICE PLANNING**

### 2.1 **In the Summer - Overall Review**

The Cabinet shall review the financial performance of the Council in the previous year, compared with the annual budget, on the basis of a report prepared by the Head of Financial Services in conjunction with Heads of Service.

### 2.2 **In the Autumn - Financial Strategy**

The Cabinet, after consultation with the relevant Overview and Scrutiny Panel and any appropriate organisations or bodies, shall recommend to the Council a Financial Strategy which will be used to determine the overall financial limits within which the annual budget and MTP will be prepared.

### 2.3 **In the Winter - Annual Budget and MTP**

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 MTP for the succeeding four years, incorporating both capital and revenue expenditure, which is consistent with corporate and service strategies and the Financial Strategy. This budget will include the allocation of resources to individual services and capital projects.

### 2.4 **In the Spring - Service Financial Plans**

Following approval of the annual budget each Head of Service shall update their Service Plan(s) to incorporate a Service Financial Plan, which sets out variations in the level of fees and charges and how the resources allocated will be used to meet service objectives in the forthcoming year.

### **3. CONTROLLING FINANCIAL PLANS**

#### **3.1 Financial Monitoring**

Heads of Service will be responsible for regular and effective monitoring and forecasting of the financial position relating to their services.

The financial performance of each service and capital project will be reviewed by Chief Officers quarterly on the basis of monitoring statements prepared by Heads of Service in conjunction with the Head of Financial Services.

The financial performance of the Council will be reviewed by Cabinet quarterly on the basis of monitoring statements prepared by the Head of Financial Services in conjunction with Heads of Service.

Heads of Service will ensure that relevant Executive Councillors are regularly informed of the progress in delivering approved MTP schemes.

#### **3.2 Commitments to Expenditure in Future Years**

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 MTP and Financial Strategy, **and, either**
- can be met from within currently approved and released resources. If it is to be funded from savings, these must be defined, permanent and not already earmarked for the achievement of the Council's savings targets, **or**
- is funded from a budget transfer in accordance with section 3.5 below.

If the Head of Service has any concerns about their proposal meeting these requirements they must consult the Head of Financial Services.

#### **3.3 Grants, Cost Sharing and s106 agreements**

Where a Head of Service proposes to take advantage of grants from other organisations, or some other form of cost sharing, whereby they will be able to deliver additional or improved services, consistent with their Service Plan, without creating any current or future commitment to additional net expenditure they may do so subject to:

- the funds being dependent upon a particular project or service being provided but, in the case of S106 agreements, the location or some other aspect is at the Council's discretion.
- informing the Head of Financial Services of the details
- consulting the relevant Executive Councillor(s) if the proposal exceeds £30,000 revenue or £50,000 capital in any one year.

A Head of Service may utilise sums of money received under S106, or equivalent, agreements where the nature and location of the item/service is specified. The Head of Financial Services should be informed of the details.

### **3.4 Approvals for additional spending with a net impact**

Proposals for increases to the total allocated to a budget in the current year (Supplementary Estimates) and their impact in future years may be approved by the Cabinet subject to the revenue impact not exceeding £300,000 in aggregate in any financial year. The impact of such approvals will be included in appropriate financial reports within the budget/MTP process and, once Council have noted these items, the Cabinet's limit will be re-set. This limit excludes any items funded from the contingency budget as described in the following paragraph. A transfer of a sum from capital to revenue will have a revenue impact and so will count as a request for additional spending.

The Director of Commerce and Technology may authorise the use of the contingency budget, subject to the item complying with the approved guidelines (see Annex A) and following consultation with the relevant executive councillor(s).

In all other cases the approval of the Council will be required.

### **3.5 Approvals for additional spending with compensating savings**

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 Financial Strategy.
- supported by a robust business case which includes a risk assessment.
- supported by the Chief Officers' Management Team.

The Director of Commerce and Technology may approve such a scheme following consultation with the relevant Executive Councillor for the service and the Executive Councillor for finance. The relevant budget(s) and MTP will be appropriately adjusted.

### **3.6 Budget Transfers**

The Council has five main types of budgets:

- **Service Revenue Budgets**  
Service budgets relate to the provision of services directly to the public and are defined as the lowest level included in the report to Council when the budget is approved. They include depreciation relating to capital assets and recharges from Management Units and Overhead Budgets.

- **Capital Scheme Budgets**  
These provide the funding to complete a defined capital project and are likely to include some recharges from Management Units and Overhead Budgets. When the project is completed a charge for depreciation is made to the appropriate Service Revenue Budget.
- **Management Unit Budgets**  
Management Unit budgets collect together the costs of employees, and their ancillary costs that relate to supporting services, before they are recharged to service budgets or overhead budgets based on the degree of benefit that is being received.
- **Overhead Budgets**  
Overhead budgets collect together a relevant portion of management unit costs together with other related costs before they are recharged based on the degree of benefit that is being received. Examples include the costs of office provision or of the Printing Service.
- **Technical Budgets**  
These include items such as interest on investments and the reversal of depreciation charges and will not be available for transfer to other budgets except in meeting the specific purpose for which they were established.

Whilst most budgets will reflect a net cost, some will identify an expected surplus.

The transfer 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. There do, however, need to be some limitations for effective financial management and to ensure that Executive Councillors, Cabinet and Council are aware of, and involved in, the more significant changes or where there is a financial implication.

The limitations fall into three categories. The first relates to Technical Budgets and recharges and Annex B details the budget transfers that will not be permitted in relation to them. The second relates to budgets for pay, national insurance and pension contributions and Annex C explains why and how budget transfers relating to these items are limited. Finally, the required involvement of Members is defined below.

The Council's management structure is based on Heads of Service or, in a few cases, Chief Officers taking responsibility for these budgets.

The **Manager responsible for a budget** may approve a budget transfer 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.
- Not to or from a Technical Budget or a recharge or from a pay, NI or pension contributions budget unless permitted by Annexes B or C.

- Not from capital to revenue
- Supported by their Chief Officer
- Notified to the Head of Financial Services
- Within the following limits if between budgets (there shall be no financial limits within a budget):
  - Revenue to revenue £50k
  - Revenue to capital £50k
  - Capital to capital £50k

Similarly, a **Chief Officer** may, subject to the same criteria, approve budget transfers between any budgets that are their responsibility or the responsibility of their staff.

The **Chief Officers' Management Team** may, subject to the same criteria except for the enhanced limits shown below, approve budget transfers between any budgets:

- Revenue to revenue £100k
- Revenue to capital £100k
- Capital to capital £100k

**Cabinet** may approve budget transfers of up to:

- Revenue to revenue £250k
- Revenue to capital £250k
- Capital to capital £250k

Any previous transfers in the same financial year relating to those budgets shall be aggregated for determining whether the limit has been exceeded.

In all other cases the approval of the Council will be required.

### 3.7 **Re-phasing of Expenditure**

The re-phasing of expenditure, and consequent transfer of budget, between years may be made by the relevant Head of Service, following consultation with the Head of Financial Services, providing that it is consistent with service objectives and compatible with the Council's Financial and other relevant Strategies.

### 3.8 **Price Changes**

Allocation to individual Budgets of any provision for inflation or other purposes will be determined by the Head of Financial Services.

### 3.9 **Project Appraisals**

All proposals for changes to the MTP will require an explanatory appraisal, unless the Head of Financial Services considers that the item is of a technical nature. Appraisals for new and modified schemes must be made available to Members, via the Council's intranet, by the date on which the related reports are circulated.

## **4. CASH AND CREDIT MANAGEMENT**

### **4.1 Banking**

The Director of Commerce and Technology is responsible for all Council banking arrangements and shall maintain (an) account(s) with (an) appropriate bank(s) with a credit rating equivalent to 'Long Term AA' or better in the data published by Fitch IBCA. All transactions involving income or expenditure shall be dealt with through the Council's bank account(s).

### **4.2 Income**

All employees receiving money (including cash, cheques, credit card payments etc.) must comply with the relevant procedures issued by the Head of Revenue Services to ensure that the sums are properly recorded, receipted and banked.

The Head of Revenue Services shall manage a 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 or some other system or procedure approved by the Head of Revenue Services.

### **4.3 Loans**

All borrowing will be undertaken by the Head of Financial Services in accordance with the Code of Practice for Treasury Management in Local Authorities and the Prudential Code for Capital Finance in Local Authorities, both published by the Chartered Institute of Public Finance and Accountancy (CIPFA), and the Council's Treasury Management Policy and Annual Strategy Statement.

A report shall be submitted to the Cabinet prior to the start of each financial year so that it can recommend to the Council the maximum borrowing limits for the forthcoming financial year.

### **4.4 Investments**

Investments shall be made by the Head of Financial Services in accordance with the Prudential Code for Capital Finance in Local Authorities, Government guidance on Local Government Investments, the Council's Treasury Management Policy and Annual Strategy Statement, either directly or by utilising external fund managers.

Periodic reports shall be submitted to the Cabinet on Treasury Management and by 31<sup>st</sup> July each year an annual report shall be submitted on activities in the previous financial year.

### **4.5 Payments**

Payments due to external suppliers of goods and services must be made through the Council's financial management system and in accordance with the payments procedures of that system, as determined by the Head of Financial Services. Payments shall be made direct to the supplier's bank account wherever this is practical.

## **5. ACCOUNTING PROCEDURES**

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.

### **5.2 Statement of Accounts**

The annual Statement of Accounts shall be presented to the Corporate Governance Panel for approval within the prescribed statutory timescale.

### **5.3 Records**

Each Head of Service is responsible for maintaining records of financial transactions and commitments and employee time, in forms agreed with the Head of Financial Services, and for ensuring that all financial transactions are properly recorded in the appropriate financial period and to an appropriate account within the Council's Financial Management System.

### **5.4 Retention of Documents**

Documents required for the verification of accounts, including invoices, shall be retained in a retrievable format for any statutory period, or otherwise for six years or such other time that is specified by the Head of Financial Services.

### **5.5 Contingent Liabilities**

Any Officer who is aware of a material and outstanding contingent liability shall notify the Head of Financial Services, 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.

### **5.6 Stock**

Where a formal stock account is used in connection with any service, the relevant Head of Service shall ensure that a certified stock-take is carried out in the last week 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 Head of Financial Services.

### **5.7 Insurance**

The Head of Financial Services 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.

### **5.8 Write-off of Irrecoverable Debts**

The Head of Revenue Services, or in his/her absence the Head of Financial Services, is authorised to write-off debts with an individual value of up to £4,000, or of a greater amount after consultation with the Executive Councillor responsible for finance, having taken appropriate steps to satisfy himself/herself that the debts are irrecoverable or cannot be recovered without incurring disproportionate costs.

A summary report detailing debts written-off shall be submitted to the Cabinet quarterly.

## **6. ASSETS**

### **6.1 Definition**

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.

### **6.2 Capital Expenditure**

The purchase or improvement of any asset will normally be treated as capital expenditure. However, expenditure of less than £10,000, or £5,000 in the case of vehicles, plant and equipment, will not normally be treated as capital expenditure unless the Head of Financial Services considers it is in the Council's interests to do so.

### **6.3 Asset Register**

The Head of Legal and Estates will, after consultation with the Head of Financial Services, determine the procedures for maintaining the Asset Register, including the information that needs to be recorded. Heads of Service will provide the prescribed information for all relevant assets relating to their services in accordance with those procedures.

### **6.4 Acquisition**

The purchase of assets must be in accordance with the procedures specified in the Council's Code of Procurement, having regard to the value of the asset.

The relevant Head of Service shall inform the Head of Financial Services within 10 working days of the acquisition of an asset which meets the definition for capital expenditure.

### **6.5 Leases**

Finance and operating leases are to be used only if they are in the Council's financial interest and with the approval of the Head of Financial Services.

### **6.6 Control of Assets**

Each Head of Service 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.

### **6.7 Disposal of Assets**

The sale of assets must be in accordance with the procedures specified in the Council's Code of Procurement, having regard to the current value of the asset.

The relevant Head of Service shall inform the Head of Financial Services within 10 working days of any disposal of an asset included in the Asset Register.

### **6.8 Valuations**

Assets will be re-valued at five yearly intervals by an appropriately qualified person according to the type of asset. Where appropriate, interim valuations will be recorded on the Asset Register by reference to a suitable index.

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## **GUIDELINES ON THE USE OF THE CENTRAL CONTINGENCY BUDGET**

The Director of Commerce and Technology shall, subject to these guidelines, be permitted to approve additional spending to be met from the central contingency budget subject to prior consultation with the relevant Executive Councillor(s).

### **The additional spending shall not:**

- create a commitment to additional spending in a future year.
- be a “key” decision.
- exceed £50k in aggregate on a particular service in any year.

### **The additional spending shall:**

- be consistent with the Council’s published objectives.
- be unavoidable and/or urgent; the following list gives some typical examples:
  - Unavoidable maintenance works to land or buildings
  - Flooding
  - Relocation costs
  - Consultancy costs on property matters
  - Anti-Social Behaviour Orders
  - Urgent Environmental Health matters
  - Planning Appeals
  - Sewer liability payments to Luminus.

## TECHNICAL BUDGETS

The following budgets cannot be reduced by officers in order to permit extra expenditure on another budget except where this is part of the specific purpose for which they were established.

- Any contingency, unless it complies with the approved rules for the use of the general contingency or is an adjustment to reflect the technical application of the contingency (e.g. allocation of inflation from an inflation contingency)
- Capital charges
- Commutation Transfer
- Pension Liabilities (as opposed to pension contributions)
- Interest paid
- Interest received
- Any recharge or allocation from a management unit or overhead account.

## BUDGET TRANSFERS OF PAY, NI OR PENSION CONTRIBUTIONS

The Council does not provide for a 100% of the estimated costs of employing its staff. This is because experience shows that it is generally impossible to avoid gaps when people leave and are replaced. It is also common for the new member of staff to be on a lower point in the grade than the person who left.

However, in order to simplify budget monitoring, each budget includes 100% of such staff costs but there is a negative, centrally held, contingency that represents the saving that the Council's overall budget is based on.

In order to maximise the likelihood of achieving this saving it is critical that if budget transfers involving staff costs are to be made, **that otherwise meet all the requirements of paragraph 3.6**, they shall include a reduction, determined by the Head of Financial Services, so that the negative contingency can be reduced appropriately on a temporary and/or permanent basis.

An adjustment will also be applied if rephasing takes place in accordance with paragraph 3.7

Variations to the normal level of reduction:

- The transfer of a pay, NI or pension contribution budget to a pay, NI or pension contribution budget **within another** Service, Management Unit etc. The reduction will be nil.
- If the Head of Service can demonstrate the **critical** nature of maintaining immediate service cover the reduction may be reduced or nil.  
Examples where this might apply would be if staff vacancies would result in insufficient staff with the necessary abilities or skills to run refuse rounds or to safely open swimming pools. Agency, or equivalent staff, must be available with the necessary skills and/or abilities.
- If the Head of Service can demonstrate that a **critical backlog** of work has resulted from continuing vacancies such that the service to the public is seriously compromised or significant additional costs would become unavoidable the reduction may be reduced.  
Examples where this might apply would be dealing with benefit applications or collecting council tax income. Agency, or equivalent staff, must be available with the necessary skills and/or abilities.