

WARWICK DISTRICT COUNCIL

CODE OF FINANCIAL PRACTICE

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1. PURPOSE

- 1.1 In line with the Council's desire to delegate decision making to the lowest possible level, 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 Local Government Act 2000, and is designed to operate in conjunction with the Council's Constitution.
- 1.2 The Council via its "Responsible Financial Officer" must ensure that "arrangements exist for the proper administration of its financial affairs". Communication is the key to fulfilling their 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
 - Senior Managers
 - Chief Executive
 - Budget Managers
- 1.4 The structure of the authority is that 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 Senior Managers 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 enable them to deliver the elements of the service for which they are responsible.

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; virement requests, Supplementary Estimate requests, and approval of final accounts;
 - (b) ensuring overall that this Code of Practice is followed in respect of the matters under their control;
 - (c) monitoring, regulating, overseeing its financial performance on a continual basis, including managing the revenue budget and capital programme within their terms of reference;
 - (d) proposing the broad Financial Strategy for any period and monitoring performance against the Council's agreed 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, for proper financial control;
- 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;
 - (c) the designated officer in accordance with Section 114 of the Local Government Act 1988;
 - (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.
- 2.4 The Head of Finance is also responsible for:
- (a) the production of financial information and advice for the guidance of managers in their management of the resources employed by them in their service;
 - (b) keeping the Executive informed with respect to the Council's finances and financial performance;

- (c) keeping the Executive and Scrutiny Committees informed of the financial implications of their activities;
- (d) agreeing the format of accounting records and core financial procedures and systems;
- (e) specifically, the format of revenue budgets, accounting information and the method of their presentation;
- (f) any financial advice not covered by **2.3(e)** above;
- (g) making all duly authorised payments from the Council's bank accounts;
- (h) treasury management operations within the agreed Treasury Management Strategy;
- (i) banking arrangements;
- (j) effecting necessary insurance cover and co-ordinating risk management;
- (k) arranging a programme of continuous internal audit;
- (l) advising the authority on all taxation issues that affect the authority and providing instructions and advice on the administration of V.A.T.;
- (m) overseeing procurement arrangements across the Council and giving appropriate direction to Service Areas.
- (n) Agreeing debt write-offs as detailed in paragraph 5.4

2.5 The Senior Managers are responsible for:

- (a) ensuring that this Code of Practice and the Code of Contract 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 management of assets under their control;
- (d) the management of risk within their sphere of activity in accordance with Part 8 of this Code of Practice;
- (e) the management, in accordance with Part 10 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) other matters specific to their role.

2.6 The Budget Managers are responsible for:

- (a) ensuring that this Code of Practice and the Code of Contract 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) proper management of assets under their control;
- (d) the management of risk within their sphere of activity in accordance with Part 8 of this Code of Practice;
- (e) the management, in accordance with Part 10 of this Code of Practice, of capital investment projects within their sphere of activity;
- (f) Notifying their senior Manager and the Head of Finance of any loss or shortfall of funds, including any errors or discrepancies;
- (g) other matters specific to their role.

2.7 The Chief Executive as "Head of Paid Service" and the Head of Members' Services 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 their duties as the Designated Officer in relation to Section 114 of the Local Government Act 1988.

3. EXPENDITURE

3.1 The Budget Framework and Committee Reports

All managers defined in Section 1.4, 1.5 and 1.6 of this code are individually responsible for expenditure under their control. They are required to ensure that any expenditure is only for purposes the Council is legally empowered to incur.

- 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. 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 their staff, on the financial implications.
- 3.4 Specifically, Senior Managers 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 their staff. Such consultation must give at least three clear working days for Finance staff to respond to requests for advice.
- 3.5 By following the above process, it is assumed 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 should 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 Monitoring**

All Senior Managers and Budget Managers will be responsible for keeping strict supervision over the expenditure of all the services under their control and advising the Executive of any proposed expenditure not included in the estimates, which, if incurred, would exceed the approved total estimates of the Council or the relevant service.

- 3.7 Before the start of each financial year Senior Managers and Budget Managers will sign to 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 monitoring and outturn reports to the Executive in accordance with timescales and procedures agreed by Executive (as per Budget Report). Senior Managers and Budget Managers will provide the Head of Finance with whatever details he deems necessary to enable this to be carried out.
- 3.9 After the close of each 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.

3.11 **Code of Contract Practice**

In following this Code of Financial Practice, regard must be had at all times to the requirements of the Council's Code of Contract Practice and Procurement Strategy. The Code of Contract Practice must be followed for ALL contracts (with exception of internally recharged services) for:

- The supply of goods to the Council
- The supply of services to the Council; and
- The execution of works for the Council,
- 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, Senior Managers will need to follow the following procedures when actually incurring expenditure and authorising payment of accounts.
- 4.2 It is essential that the Senior Managers ensure that there are effective internal controls over the payment process, including a clear division of duties between placing orders and paying invoices. The Senior Managers 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 The Head of Finance is responsible for arranging payment of invoices. Generally payments may only be made against an invoice submitted by a supplier. The Senior Managers must match invoices to orders raised. 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 should be checked to ensure they are properly payable, are arithmetically correct and include the appropriate V.A.T. details.
- 4.4 The payment of all salaries, wages, pensions, compensation, expense claims, and other emoluments to all employees and former employees of the Council shall be made under arrangements approved and controlled by the Head of Finance. The Senior Managers 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.
- 4.5 The Senior Managers should have regard to the Personnel Handbook in respect of all matters pertaining to the employment of staff and their terms and conditions.
- 4.6 Senior Managers will organise their payment of invoice procedures such that the specific targets for prompt payment, can be achieved by the Council.
- 4.7 Senior Managers shall ensure that expense and mileage claims are submitted promptly and that they should only be used to reimburse personal expenses rather than corporate expenditure.

5. INCOME

- 5.1 The Senior Managers will be held accountable for the collection of all income due to the Council in respect of services provided by that Unit.
- 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 good 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 Senior Managers either directly or by arrangement with others. Collection of Debts shall be in accordance with the Council's "Fair Debt Recovery Statement".

5.4 Write Offs

- (a) Authority to write-off former housing tenant arrears or credit balances:-

Up to £750	Head of Housing and Property Services
Greater than £750	Head of Finance

- (b) Authority to write-off irrecoverable Council Tax, Non Domestic Rates and Housing Benefit Overpayments

Up to £750	Head of Customer & Information Services
Greater than £750	Head of Finance

(c) Authority to write-off sundry debts:-

All debts

Head of Finance

- 5.5 The Senior Managers 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.
- 5.6 It is essential that the Senior Managers 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.
- 5.7 In designing their control system for income, the Senior Managers must incorporate the specific requirements of the Code of Practice on Cash Handling.
- 5.8 The Senior Managers will be responsible for reviewing jointly with the Head of Finance fees and charges under their control.
- 5.9 Officers should comply with the Responsibilities and Practices instructions issued by Finance that are available on the Council's intranet.

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 Asset Management Steering Group. The AMMSG is chaired by a Deputy Chief Executive and is comprised of selected senior and budget 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 agreed by the AMMSG and ultimately Council.
- 6.3 The Head of Development Services is responsible for the proper custody of all title deeds.
- 6.4 The Senior Managers are responsible for the operational use of property and assets under their control. Appropriate inventory controls should be kept of the Service's property and equipment. The Senior Managers may authorise use of equipment etc. away from the base in appropriate circumstances.
- 6.5 The Senior Managers are responsible for the proper care and custody of stocks and stores within the Service Area, and should keep appropriate accounting records (including "stocktaking") to the satisfaction of the Head of Finance.
- 6.6 The Head of Finance shall compile annually, a Treasury Management Strategy and Annual Investment Strategy for approval by the Executive and Council. Responsibilities of the Head of Finance are set out in the Strategy. 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.

- 6.7 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.
- 6.8 Disposal of land or property should always be for best consideration, subject to the principles contained in the Asset Management Strategy. Following consideration by the Asset Management Steering Group a report is required from a Deputy Chief Executive or Senior Manager in conjunction with the Head of Development Services to the Executive. 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 £20,000. Any disposals with a value in excess of £20,000 require approval by Executive.
- 6.9 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 CHEQUES

- 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 must be approved by that postholder. The Treasury Management Strategy and Treasury Management Practices set out the arrangements to be followed in more detail.
- 7.2 All cheques and other instruments of payment 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 credit cards is restricted to staff who have been authorised by the Head of Finance 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.

8. RISK MANAGEMENT AND INSURANCE

- 8.1 The Council's Risk Management Strategy sets out in detail the risk management framework for the authority.

- 8.2 The Senior Managers are accountable for maintaining and regularly reviewing risk assessments for all aspects of their Unit. This will include (although not limited to) security:
- of buildings, equipment, cash etc. against damage and loss
 - against loss or improper use of information assets
 - of staff against accident or physical attack
 - of customers against injury whilst using Council facilities
- 8.3 The Senior Managers are responsible for maintaining risk registers in the agreed corporate form of all risks appertaining to activities and functions that they are responsible for. Senior Managers are responsible for reviewing risks on a regular basis and updating the risk registers accordingly.
- 8.4 The Senior Managers shall consult the Head of Finance in any case where security is thought to be defective or where it is considered that special security arrangements may be required, in order to satisfy the requirements of the Council's insurers.
- 8.5 The Senior Managers are responsible for ensuring that all guidance on proper security and privacy of data held on computer based technology is promoted and reinforced with all staff concerned. The Head of Customer & Information Services, is responsible for publishing and reviewing the Information Security and Conduct Policy and related guidance. The Head of Members' Services is responsible for fulfilling the role of Data Protection Officer within the terms of the Data Protection Act 1998 and is responsible for the Council's Data Protection Policy, and is also responsible for fulfilling the Council's responsibilities under the Freedom of Information Act 2000. Senior Managers must ensure that all data processed by systems under their control is used solely for appropriate purposes as registered with the Information Commissioner's Office under the Data Protection Act 1998.
- 8.6 The Head of Finance is responsible for effecting all insurance cover which may be required and for its annual review. To this end the Head of Finance will co-ordinate the Senior Managers' risk management activities and identify opportunities for improving the risk management/insurance balance.
- 8.7 The Senior Managers should give prompt notification to the Head of Finance of all new risks, or events which might need to be advised to the Council's insurers. The Head of Finance is responsible for all liaison with insurers and dissemination of data/advice to Senior Managers.
- 8.8 The Senior Managers must notify the Head of Finance, without any delay, of any loss, liability, damage or any event likely to lead to an insurance claim. The Head of Finance is responsible for the submission and progressing of any insurance claim and dealing with the claimant as necessary, and regularly informing the Senior Managers of the results of any claims.
- 8.9 All appropriate employees of the Council shall be included in a suitable fidelity guarantee insurance.

9. **INTERNAL AUDIT**

- 9.1 The Head of Finance 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 internal audit practices, and any officer or member of the Council shall, if the Head of Finance or their representative requires:

- a) make available such documents which relate to accounting and other records as appear to the Head of Finance or their representative to be necessary for the purpose of audit;
- b) make available access to property and systems (computerised and manual) as the Head of Finance or their representative considers necessary for the purpose of audit; and
- c) supply the Head of Finance or their representatives with such information and explanation as the Head of Finance or their representative considers necessary for the purpose of the audit.

9.2 The Council's Internal Auditors have the authority to:

- a) access Authority premises at all reasonable times;
- b) access all assets, records, documents, correspondence and control systems;
- c) receive any information and explanation considered necessary concerning any matter under consideration;
- d) require any employee of the Authority to account for cash, stores or any other Authority asset under their control;
- e) access records belonging to third parties, such as contractors, when required;
- f) directly access the Head of Paid Service, the Executive and Finance and Audit Overview and Scrutiny Committee.

9.3 Senior Managers are required

- a) to ensure that Internal Auditors are given access at all reasonable times to premises, personnel, documents, systems and assets that the Auditors consider necessary for the purposes of their work;
- b) to ensure that Auditors are provided with any information and explanations that they seek in the course of their work;
- c) to consider and respond promptly to recommendations in audit reports;
- d) to ensure that any agreed actions arising from audit recommendations are carried out in a timely and efficient fashion;
- e) to notify the Audit and Risk Manager immediately of any suspected fraud, theft, irregularity, improper use or misappropriation of the Authority's property or resources. Pending investigation and reporting, the Senior Manager should take all necessary steps to prevent further loss and to secure records and documentation against removal or alteration.

9.4 The Audit and Risk Manager shall present to the appropriate committee each year the strategic and annual audit plans which take account of the characteristics and relative risks of the activities involved. In addition, following the end of each financial year, an Internal Audit Annual Report will be presented providing an opinion on the overall adequacy and effectiveness of the organisation's control environment. The Audit and Risk Manager will also issue reports on the Review of the Effectiveness of Internal Audit, and the Effectiveness of the System of Internal Controls.

9.5 The Audit and Risk Manager shall report progress in achieving the Audit Plan on a quarterly basis to the appropriate Council committee and provide a summary of the reports completed in that quarter.

- 9.6 The Audit and Risk Manager is responsible for publishing and reviewing the Anti-Fraud and Anti-Corruption Policy and Whistleblowing Policy, the contents of which must be adhered to by all staff and Members of the Council. The Head of Finance must ensure that there are effective procedures in place to investigate promptly any fraud or irregularity and all officers and Members of the Council must co-operate fully where required with any such investigations taking place.
- 9.7 The appropriate committee currently established for the purposes of overseeing the audit functions is the Finance and Audit Scrutiny Committee.

10. CAPITAL INVESTMENT PROGRAMME

- 10.1 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 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.
- 10.2 The Executive may choose to appoint a working group to advise on the formulation, delivery and monitoring of the Housing and General Fund Capital Programmes. The Head of Finance will organise the operation of that group.
- 10.3 The Council will agree the capital investment programme for the following year (and, if felt appropriate, any future years) on advice from the Executive.
- 10.4 The approval by the Council of a programme of capital expenditure does not give the Senior Managers concerned authority to incur expenditure. However, the Senior Managers:
- (a) may take preliminary steps, without commitment (subject to 10.4(c) below), to enable land or appropriate infrastructure required for the purposes of the programme to be acquired or obtained in due time; and
 - (b) should prepare in accordance with any guidance from the Head of Finance a report on the scheme and estimate including associated revenue expenditure and income implications for consideration of the Executive.
 - (c) In advance of a detailed report being considered by the Executive, the total commitments on a scheme shall not exceed 10% of the sum included in the approved Capital Programme.
- 10.5 **Consideration by Executive**
- 10.5.1 Following the report to the Executive, outlining the details of the scheme, the Executive shall decide if it wishes the scheme to proceed.
- 10.5.2 If the Executive does wish the scheme to proceed and the estimated costs shown in the report are within the capital and revenue budget provision, the relevant Senior Manager should take action to ensure the scheme is delivered in accordance with the expenditure phasing in the programme, and the Council's Code of Contract Practice.

10.5.3 If the Executive does wish the scheme to proceed, but the estimated costs shown in the report **exceed** the revenue and/or capital budget provision, the Executive will need to consider the item as a request for a Supplementary Estimate and dealt with under the scheme for this in paragraphs 10.7 (Capital) and 14 (Revenue) below. If a Supplementary Estimate is approved the relevant Senior Manager can proceed as in 10.5.2.

10.5.4 If the Executive does not wish the scheme to proceed, then the sums included in the capital programme or revenue budget are returned to balances, unless the Executive makes a specific decision to consider a replacement scheme.

10.6 **Action After Executive Approval**

10.6.1 The relevant Senior Manager may proceed to accept a tender (in accordance with the Code of Contract Practice) if the tender is within the estimate of the cost approved by the Executive.

10.6.2 In the event that the tender exceeds the cost approved by the Executive, the Senior Manager concerned must consult the Head of Finance prior to a report being submitted to the Executive.

10.6.3 The responsibility for the management of the project will rest with the relevant Senior Manager. 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).

10.6.4 For all schemes over £250,000, the relevant Senior Manager will report to the Executive on scheme completion regarding its final costs. A report will also be submitted to the Executive, after 12 months operation of the project, as to how the scheme's agreed objectives have been met.

10.7 **Supplementary Estimates and Virement (Capital)**

10.7.1 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.

10.7.2 The Executive shall receive a report on capital schemes where it is apparent that the scheme cost will exceed the original estimate by 10% or £50,000, whichever is the greater, together with recommendations for the funding of the increase.

10.7.3 A Head of Service responsible for a capital project, in consultation with the Head of Finance, may approve a transfer of Budget from one capital scheme (subject to the transfer not exceeding 10% of the estimated increased capital cost of the project up to a maximum of £50,000) to another subject to the Head of Service reporting their action to the next meeting of the Executive.

10.7.4 Subject to 10.7.3 above, where there are scheme reports which indicate underspendings on particular schemes, this funding will be returned to the overall capital funding available.

10.7.5 Funding for the introduction of new schemes into the Council's Capital Programme can only be approved by Council.

11. MANAGEMENT OF THE REVENUE BUDGET

11.1 The inclusion of items in approved revenue estimates shall constitute authority for the Senior Manager concerned to incur such expenditure save to the extent to which 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.

11.2 Responsibility for managing the revenue budget of each Senior Manager rests unequivocally with that Manager. Senior Managers 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 Audit 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.

12. OBJECTIVES OF BUDGETARY CONTROL

12.1 The Overall objective is to control the General Fund and Housing Revenue Account net expenditure to 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.

12.2 Each Senior Manager 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).

12.3 All expenditure and income should be coded to the most appropriate allocation code. If need be, budgets should be vired to match the expenditure.

13. VIREMENT

13.1 The Council will have the budget heads as determined by the Head of Finance in accordance with relevant statutory and other guidance. These will be as published in the Council's annual budget publication, "BUDGET AND FINANCIAL INFORMATION".

13.2 Key Controls of the Scheme of Budget Virement

(a) The scheme of virement will be administered by the Head of Finance within guidelines set by Council. Any variation to the scheme will require approval of Council.

(b) The overall budget is agreed by the Executive and approved by Council. Managers are authorised to incur expenditure in accordance with the estimates that make up the budget.

(c) Virement is the legitimate transfer of available resources on a budget head to another budget head (e.g. subsistence to printing). Use of virement must not create additional overall budget liability, and the detailed controls within the scheme are designed to prevent that occurring.

- (d) Virement within the same service can be exercised by Senior Managers on budgets under their control subject to the agreement of the Head of Finance and subject to the restrictions in this code.
- (e) Virement between services, or across Portfolio holder responsibilities, or of amounts greater than £50,000 must be subject to the agreement of the Head of Finance and the approval of the Executive following a joint report from the Senior Manager and the Head of Finance. Such a report must also cover any future year's implications.
- (f) Virement of amounts greater than £100,000 will require approval of the Council following a report from the relevant budget holders and the Head of Finance.
- (g) The following budget heads may not be the subject of virement without the prior approval of the Executive
 - Capital Financing Charges
 - Budgets controlled centrally (e.g. rates and insurances)
 - Support Services costs (recharges)
 - Salaries (except subject to (h) below)
 - Additional resources granted during the year.
 - Budgets given for specific projects
 - 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)
- (h) Underspends in salary budgets may be used were necessary to appoint temporary or agency staff to ensure the continuation of the service. If agency staff are appointed these will need to be coded to "temporary staff" with an appropriate virement being done from "salaries".

13.3 The Council's General Fund Corporate Repairs and Maintenance budget is the responsibility of the Head of Housing and Property Services. The Head of Housing and Property Services will have freedom to transfer budgets for property maintenance across General Fund services as circumstances require, following the approval of the Head of Finance.

13.4 The Council's Vacancy Advertising and Staff Cover budgets are the responsibility of the Human Resources Manager. The Human Resources Manager will have freedom to transfer these budgets across services as circumstances require, following the approval of the Head of Finance.

13.5 **Considerations for when Income is short against one particular service**

13.5.1 If income is short in a service area, the Service Managers should endeavour to take remedial action to ensure the original income budget target is met.

13.5.2 If it is impossible or undesirable to get the income back on track to budget, Service Managers should consider if within that service, Service Area or portfolio whether there is another income budget head that is projected to be in surplus at year end which can be used for virement, or if there is an expenditure head which can have its budget reduced to compensate.

13.5.3 If there are no funds within that service, Service Area and portfolio, Senior Managers must consider if there is either an excess income budget or under spent expenditure head from another service, Service Area or Portfolio that is able to be utilised to finance the overspending. If this is not possible, there will be a forecast overspend which will be reported to the Executive. A proposed course of action must be approved by CMT, Executive, Council or Section 151 Officer (e.g. forced reductions, virement or Grant supplementary estimates.).

13.6 **Considerations for when Income is in surplus against budget**

13.6.1 The overall assumption is that where there is excess income over budget, it will be possible to exercise virement from those income budgets to other budget heads within the same service, Service Area or Portfolio holder (subject Executive Committee agreement and the Key Controls in 13.2 above).

13.6.2 However, there may be occasions when the Executive recommends to use a surplus to finance priority corporate areas (or overspends) or increase reserves rather than being available to finance one off increases for the Service Area with the excess income.

13.6.3 It should not be assumed that excess income can be used to finance new schemes, new posts or recurring expenditure items. Items which are significant changes to the budget are "Key Decisions", and hence, if it seems desirable for service enhancement or efficiency reasons to use excess income to finance future recurring expenditure, then a report must be submitted to Executive for approval.

14. **SUPPLEMENTARY ESTIMATES**

14.1 The Executive will have the responsibility of managing the scheme of in year adjustments (Supplementary Estimates), as defined in the Council's Budget Framework.

14.2 The Executive can approve requests for Supplementary Estimates 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.

14.3 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 Portfolioholder, may agree to a Supplementary Revenue or Capital Estimate, along with the appropriate funding. As soon as possible afterwards, a full report should be issued to the Executive and Council explaining the reason for the Supplementary Estimate and how it is to be funded. This is in accordance with paragraph G(17) within the Scheme of Delegation.

14.4 Where a Senior Manager identifies a potential overspending (or shortfall in income) which cannot be dealt with under sections 12 and 13 above, the Senior Manager must report to the Head of Finance who will decide if further action to request a supplementary estimate is required.

14.5 Where a Senior Manager identifies a potential need, or a development that is not included within the Service Plan and budget, that manager must prepare a report for the Senior Management Team to consider the implications.

14.6 The report must include the likely cost of the development in a format and degree of detail agreed by the Head of Finance.

- 14.7 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 estimate, and details from the Head of Finance on the means of funding the request.
- 14.8 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 estimate 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.
- 14.9 There may be other circumstances where the Chief Executive feels that a request for a supplementary estimate is inappropriate, and in those circumstances the Chief Executive will decide whether or not a report be submitted to the Executive.
- 14.10 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.

15. THE MONITORING OFFICER

- 15.1 As indicated in paragraph 2.6 the Head of Members' Services is the Council's Monitoring Officer under the Local Government and Housing Act 1989 (S5). The Monitoring Officer must be consulted by Senior Managers if proposed courses of action could lead to illegal, or other inappropriate actions by the Authority.
- 15.2 The Monitoring Officer will then decide the appropriate course of action.

16. NON-COMPLIANCE WITH THE CODE

- 16.1 The Senior Managers should advise the Head of Finance immediately, should they become aware of any non-compliance with the Code of Practice.
- 16.2 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.