

# Financial Regulations

## 1. GENERAL

- 1.1. These Financial Regulations govern the conduct of financial management by the Council and may only be amended or varied by resolution of the Council. Financial Regulations are one of the Council's governing policy documents providing procedural guidance for Members and Officers. Financial Regulations must be observed in conjunction with the Council's Standing Orders and any individual financial regulations relating to contracts.
- 1.2. The Council is responsible in law for ensuring that its financial management is adequate and effective and that the Council has a sound system of internal control which facilitates the effective exercise of the Council's functions, including arrangements for the management of risk.
- 1.3. The Council's accounting control systems must include measures:
  - for the timely production of accounts
  - that provide for the safe and efficient safeguarding of public money
  - to prevent and detect inaccuracy and fraud
  - identifying the duties of Officers.
- 1.4. These Financial Regulations demonstrate how the Council meets these responsibilities and requirements.
- 1.5. At least once a year, prior to approving the Annual Governance Statement, the Council must review the effectiveness of its system of internal control which shall be in accordance with proper practices.
- 1.6. Deliberate or wilful breach of these Regulations by an employee may give rise to disciplinary proceedings.
- 1.7. Members of the Council are expected to follow the instructions within these Regulations and not to entice employees to breach them. Failure to follow instructions within these Regulations brings the office of a Councillor into disrepute.
- 1.8. The Responsible Financial Officer (RFO) holds a statutory office and this Council has appointed the Town Clerk as the RFO and these regulations will apply accordingly.
- 1.9. The Town Clerk;
  - acts under the policy direction of the Council
  - administers the Council's financial affairs in accordance with all Acts, Regulations and proper practices
  - determines on behalf of the Council its accounting records and accounting control systems

- ensures the accounting control systems are observed
  - maintains up to date accounting records in accordance with proper practices
  - assists the Council to secure economy, efficiency and effectiveness in the use of its resources
  - produces financial management information as required by the Council.
- 1.10. The accounting records shall be sufficient to show and explain the Council's transactions and to enable the Town Clerk to ensure that any income and expenditure account and statement of balances and any additional information comply with the Accounts and Audit Regulations.
- 1.11. The accounting records shall in particular contain:
- entries of all sums of money received and expended and the matters to which the income and expenditure relate
  - a record of the assets and liabilities
  - wherever relevant, a record of income and expenditure in relation to claims made, or to be made, for any contribution, grant or subsidy.
- 1.12. The accounting control systems shall include:
- procedures to ensure that financial transactions are recorded as soon as reasonably practicable and as accurately and reasonably as possible
  - procedures to enable the prevention and detection of inaccuracies and fraud and the ability to reconstruct any lost records
  - identification of the duties of officers dealing with financial transactions and division of responsibilities of those officers in relation to significant transactions
  - procedures to ensure that uncollectable amounts, including any bad debts are submitted to the Council for approval to be written off only if approved by the Town Clerk and that the approvals are shown in the accounting records
  - measures to ensure that risk is properly managed.
- 1.13. Any decision regarding:
- setting the final budget or the precept
  - approving accounting statements
  - approving an annual governance statement
  - borrowing
  - writing off bad debts
  - declaring eligibility for the General Power of Competence

- addressing recommendations in any report from the internal or external auditors

shall be a matter for the Council only.

1.14. In addition the council must:

- determine and keep under regular review the bank mandate for all council bank accounts;

1.15. In these financial regulations, references to the Accounts and Audit Regulations or 'the regulations' shall mean the regulations issued under the provisions of section 27 of the Audit Commission Act 1998, or any superseding legislation, and then in force unless otherwise specified.

In these financial regulations the term 'proper practice' or 'proper practices' shall refer to guidance issued in *Governance and Accountability for Local Councils - a Practitioners' Guide (England)* issued by the Joint Practitioners Advisory Group (JPAG), available from the websites of NALC and the Society for Local Council Clerks (SLCC).

## **2. ACCOUNTING AND AUDIT (INTERNAL AND EXTERNAL)**

2.1. All accounting procedures and financial records shall be determined by the Town Clerk in accordance with the Accounts and Audit Regulations, appropriate Guidance and proper practices.

2.2. The Town Clerk shall complete the annual statement of accounts, annual report, and any related documents contained in the Annual Return as soon as practicable after the end of the financial year and having certified the accounts shall present them to the Council within the timescales set by the Accounts and Audit Regulations.

2.3. The Council shall ensure that there is an adequate and effective system of internal audit of its accounting records, and of its system of internal control in accordance with proper practices. Documents and records necessary for the purpose of the audit shall be provided to the internal or external auditor.

2.4. The internal auditor shall be appointed by the Council in accordance with proper practices.

2.5. The internal auditor shall:

- be competent and independent of the financial operations of the Council
- report to Council in writing on a regular basis with a minimum of one annual written report during each financial year
- demonstrate competence, objectivity and independence, be free from any actual or perceived conflicts of interest
- have no involvement in the financial decision making, management or control of the Council.

- 2.6. Internal or external auditors may not under any circumstances:
- perform any operational duties for the Council
  - initiate or approve accounting transactions
  - direct the activities of any Council employee unless they have been appropriately assigned to assist the internal auditor.
- 2.7. Arrangements shall be made for the exercise of electors' rights in relation to the accounts and for displaying or publishing any notices and statements of account required by Audit Commission Act 1998, or any superseding legislation, and the Accounts and Audit Regulations.
- 2.8. Any correspondence or report from the internal or external auditors shall, without undue delay, be brought to the attention of the Council

### **3. ANNUAL ESTIMATES (BUDGET)**

- 3.1. The Budget Working Group shall submit proposals for the following financial year to the Council not later than the end of November each year including any proposals for revising the forecast.
- 3.2. Detailed estimates of all receipts and payments including the use of reserves and all sources of funding for the following financial year will be prepared in the form of a budget to be considered by the Budget Working Group
- 3.3. The Council shall fix the precept, and relevant basic amount of Council Tax to be levied for the ensuing financial year not later than by the end of January each year.
- 3.4. The approved annual budget shall form the basis of financial control for the ensuing year.

### **4. BUDGETARY CONTROL**

- 4.1. Expenditure on revenue items will be authorised up to the amounts in the approved budget.
- 4.2. No expenditure may be authorised that will exceed the amount provided in the revenue budget other than by resolution of the Council, or duly delegated committee. During the budget year and with the approval of Council unspent and available amounts may be moved to other budget headings or to an earmarked reserve as appropriate ('virement').
- 4.3. Unspent provisions in the revenue or capital budgets for completed projects shall not be carried forward to a subsequent year.
- 4.4. The salary budget will be reviewed annually no later than November for the following financial year by the Personnel Committee and such review shall be evidenced by a hard copy schedule signed by the Town Clerk and the Chairman of the Personnel Committee.

- 4.5. In cases of extreme risk to the delivery of Council services, the Town Clerk may authorise revenue expenditure on behalf of the Council. Such expenditure includes repair, replacement or other work, whether or not there is any budgetary provision for the expenditure, subject to a limit of £5000. The Town Clerk shall report such action to the Town Mayor as soon as possible and to the Council as soon as practicable after that.

The Town Clerk is authorised to make routine resourcing decisions, where time impact is less than a day or cost is less than £500, and it is in the public interest to do so, with relevant reporting back at a future Council meeting

- 4.6. No expenditure shall be authorised in relation to any capital project and no contract entered into or tender accepted involving capital expenditure unless the Council is satisfied that the necessary funds are available and the requisite borrowing approval has been obtained.
- 4.7. All capital works shall be administered in accordance with the Standing Orders and Financial Regulations relating to contracts.
- 4.8. A summary schedule of income and expenditure, comparing actual against estimates in the agreed budget shall be provided at each meeting of the Council or duly delegated committee.
- 4.9. Changes in Earmarked Reserves shall be approved by Council as part of the budgetary control process.

## **5. BANKING ARRANGEMENTS AND AUTHORISATION OF PAYMENTS**

- 5.1. Banking arrangements, including the bank mandate, shall be made by the Town Clerk and approved by the Council. They shall be regularly reviewed for safety and efficiency.
- 5.2. All invoices for payment shall be examined, verified and certified by the RFO or appropriate delegate to confirm that the work, goods or services to which each invoice relates has been received, carried out, examined and represents expenditure previously approved by the Council.
- 5.3. All invoices will be examined for arithmetical accuracy and allocated to the appropriate expenditure heading. The Town Clerk shall take all steps to pay all invoices submitted, as soon as practically possible and in line with terms of payment.
- 5.4. Where a 'three way' match is present between a duly authorised order, an invoice and a goods received note or other evidence of delivery the delegated officer may certify the invoice for payment. Where a 'three way match' is not present the invoice must be certified for payment by the Town Clerk.

## **6. INSTRUCTIONS FOR THE MAKING OF PAYMENTS**

- 6.1. The council will make safe and efficient arrangements for the making of its payments.

- 6.2. Following certification under Financial Regulation 5 above, the Town Clerk shall give instruction that a payment shall be made.
- 6.3. All payments shall be effected by cheque or other instructions to the Council's bankers, or otherwise, in accordance with a resolution of Council [or duly delegated committee].
- 6.4. Cheques or orders for payment drawn on the bank account shall be signed by two Members of Council. To indicate agreement of the details shown on the cheque or order for payment with the invoice or similar documentation, the signatories shall each also initial the payment schedule.
- 6.5. To indicate agreement of the details shown on the cheque or order for payment with the counterfoil and the invoice or similar documentation, at least one of the signatories shall each also initial the cheque counterfoil.
- 6.6. Payment for utility supplies (energy, telephone and water) and any National Non-Domestic Rates may be made by variable direct debit provided that the instructions are signed by two Members.
- 6.7. Payment for certain regular items may be made by banker's standing order provided that the instructions are signed, or otherwise evidenced by two Members are retained.
- 6.8. Payment for certain items may be made by BACS or CHAPS methods provided that the instructions for each payment are signed, or otherwise evidenced, by two authorised bank signatories.
- 6.9. Payment for certain items may be made by internet banking transfer provided evidence is retained showing which members approved the payment.
- 6.10. Where a computer requires use of a personal identification number (PIN) or other password(s), for access to the Council's records on that computer, the Town Clerk is responsible for ensuring appropriate security.
- 6.11. No employee or Councillor shall disclose any PIN or password, relevant to the working of the Council or its bank accounts, to any person not authorised in writing.
- 6.12. Regular back-up copies of the records on any computer shall be made and shall be stored securely away from the computer in question, and preferably off site.
- 6.13. The Council, and any members using computers for the council's financial business, shall ensure that anti-virus, anti-spyware and firewall software with automatic updates, together with a high level of security, is used.
- 6.14. Where internet banking arrangements are made with any bank, the Town Clerk shall be appointed as the Service Administrator. A process will be approved by Council for authorisation of such payments.
- 6.15. The Council may hold a Debit Card for paying for budgeted goods or services. Any use of debit card will be specifically restricted to the Town Clerk. This card may be used for the purchase of goods not exceeding £1000 in any one transaction or series

of linked transactions. Where on-line internet payment is required, the Debit Card will be used.

- 6.16. Any corporate credit card or trade card account opened by the Council will be specifically restricted to use by the Town Clerk and shall be subject to automatic payment in full at each month-end.
- 6.17. A petty cash float of £300 will be maintained for the purpose of defraying operational and other expenses. Vouchers for payments made from petty cash shall be kept to substantiate the payment. Income received must not be paid into the petty cash float but must be separately banked.
- 6.18. Members are subject to the Code of Conduct that has been adopted by the Council and shall comply with the Code and Standing Orders when a decision to authorise or instruct payment is made in respect of a matter in which they have a disclosable pecuniary or other interest, unless a dispensation has been granted.
- 6.19. The Council will aim to rotate the duties of Members in these Regulations so that onerous duties are shared out as evenly as possible over time.

## **7. SALARIES**

- 7.1. As an employer, the Council shall make arrangements to meet fully the statutory requirements placed on all employers by PAYE and National Insurance legislation. The payment of all salaries shall be made in accordance with payroll records and the rules of PAYE and National Insurance currently operating, and salary rates shall be as agreed by the Personnel Committee.
- 7.2. No changes shall be made to any employee's pay or contract of employment without the prior consent of the Personnel Committee.
- 7.3. Each and every payment to employees of net salary and to the appropriate creditor of the statutory and discretionary deductions shall be recorded as a confidential record. This confidential record is not open to inspection or review (under the Freedom of Information Act 2000 or otherwise) other than:
  - a) by any Councillor who can demonstrate a need to know
  - b) by the internal auditor
  - c) by the external auditor
  - d) by any person authorised under Audit Commission Act 1998, or any superseding legislation.

The Town Clerk authorises the monthly BACS salary payment after checking detail. Appropriate audit and other controls are in place to further ensure accuracy.

- 7.4. Any termination payments shall be supported by a clear business case and reported to the Council. Termination payments shall only be authorised by the Council.

## **8. LOANS AND INVESTMENTS**

- 8.1. All borrowings shall be effected in the name of the Council, after obtaining any necessary borrowing approval. Any application for borrowing approval shall be approved by the Council as to terms and purpose. The application for Borrowing Approval, and subsequent arrangements for the Loan shall only be approved by the Council.
- 8.2. Any financial arrangement which does not require formal Borrowing Approval from the Secretary of State (such as Hire Purchase or Leasing) shall be subject to a recommendation from the Policy & Resources Committee to the Council. In each case a report in writing shall be provided to in respect of value for money for the proposed transaction.
- 8.3. All loans and investments shall be negotiated in the name of the Council and shall be for a set period in accordance with Council policy.
- 8.4. The Council shall have an Investment Policy which shall be in accordance with relevant regulations, proper practices and guidance and shall be reviewed by the Council at least annually.
- 8.5. All investments of money under the control of the Council shall be in the name of the Council.

8.6. All investment certificates and other documents shall be retained by the Town Clerk.

## **9. INCOME**

- 9.1. The collection of all sums due to the Council shall be the responsibility of and under the supervision of the Town Clerk.
- 9.2. The Policy & Resources Committee will review all fees and charges annually.
- 9.3. Any sums found to be irrecoverable and any bad debts shall be reported to the Council and shall be written off in the year.
- 9.4. All sums received on behalf of the Council shall be banked intact and shall be deposited with the bank with such frequency as the Town Clerk considers necessary.
- 9.5. The origin of each receipt shall be entered on the paying-in slip.
- 9.6. Personal cheques shall not be cashed out of money held on behalf of the Council.
- 9.7. VAT Returns shall be promptly completed with any repayment claim due in accordance with VAT Act 1994 section 33 made at least annually coinciding with the financial year end.
- 9.8. Where any significant sums of cash are regularly received by the Council, the Town Clerk shall take such steps to ensure that more than one person is present when the cash is counted in the first instance, that there is a reconciliation to some form of control such as ticket issues, and that appropriate care is taken in the security and safety of individuals banking such cash.



## **10. ORDERS FOR WORK, GOODS AND SERVICES**

- 10.1. An official order or letter shall be issued for all work, goods and services unless a formal contract is to be prepared or an official order would be inappropriate. Copies of orders shall be retained.
- 10.2. All Members and Officers are responsible for obtaining value for money at all times. An Officer issuing an official order shall ensure as far as reasonable and practicable that the best available terms are obtained in respect of each transaction, usually by obtaining three or more quotations or estimates from appropriate suppliers, subject to any *de minimis* provisions in Regulation 11.1 below.
- 10.3. A Member may not issue an official order or make any contract on behalf of the Council.
- 10.4. The Town Clerk or member of staff authorised by the Town Clerk shall verify the lawful nature of any proposed purchase before the issue of any order.

## **11. CONTRACTS**

- 11.1. Procedures as to contracts are as follows:
  - a. Every contract shall comply with these Financial Regulations, and no exceptions shall be made otherwise than in an emergency provided that this regulation need not apply to contracts which relate to items (i) to (vi) below:
    - i. for the supply of gas, electricity, water, sewerage and telephone services
    - ii. for specialist services such as are provided by solicitors, accountants, surveyors and planning consultants
    - iii. for work to be executed or goods or materials to be supplied which consist of repairs to or parts for existing machinery or equipment or plant
    - iv. for work to be executed or goods or materials to be supplied which constitute an extension of an existing contract by the Council
    - v. for additional audit work of the external Auditor up to an estimated value of £1000 (in excess of this sum the Town Clerk shall act after consultation with the Town Mayor and Chairman of the Policy & Resources Committee)
    - vi. for goods or materials proposed to be purchased which are proprietary articles and / or are only sold at a fixed price.
  - b. Where the council intends to procure or award a public supply contract, public service contract or public works contract as defined by The Public Contracts Regulations 2015 (“the Regulations”) which is valued at £25,000 or more, the council shall comply with the relevant requirements of the Regulations<sup>1</sup>.

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<sup>1</sup> The Regulations require councils to use the Contracts Finder website to advertise contract opportunities, set out the procedures to be followed in awarding new contracts and to publicise the award of new contracts

- c. The full requirements of The Regulations, as applicable, shall be followed in respect of the tendering and award of a public supply contract, public service contract or public works contract which exceed thresholds in The Regulations set by the Public Contracts Directive 2014/24/EU (which may change from time to time)<sup>2</sup>.
- d. When applications are made to waive Financial Regulations relating to contracts to enable a price to be negotiated without competition the reason shall be embodied in a recommendation to the Council.
- e. Such invitation to tender shall state the general nature of the intended contract and the Town Clerk shall obtain the necessary technical assistance to prepare a specification in appropriate cases. The invitation shall in addition state that tenders must be addressed to the Town Clerk in the ordinary course of post. Each tendering firm shall be supplied with a specifically marked envelope in which the tender is to be sealed and remain sealed until the prescribed date for opening tenders for that contract.
- f. All sealed tenders shall be opened at the same time on the prescribed date by the Town Clerk in the presence of at least one Member of the Council.
- g. If less than three tenders are received for contracts above £25,000 or if all the tenders are identical the Council may make such arrangements as it thinks fit for procuring the goods or materials or executing the works.
- h. Any invitation to tender issued under this regulation shall be subject to Standing Order 28 and shall refer to the terms of the Bribery Act 2010.
- i. When entering into a contract of less than £25,000 for the supply of goods or materials or for the execution of works or specialist services other than such goods, materials, works or specialist services as are excepted as set out in paragraph (a) the Town Clerk shall obtain 3 priced description quotations; where the value is below £3,000 the Town Clerk shall strive to obtain 3 estimates. Otherwise, Regulation 10.2 shall apply.
- j. The Council shall not be obliged to accept the lowest or any tender, quote or estimate.
- k. Should it occur that the Council, or duly delegated committee, does not accept any tender, quote or estimate, the work is not allocated and the Council requires further pricing, provided that the specification does not change, no person shall be permitted to submit a later tender, estimate or quote who was present when the original decision making process was being undertaken.

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<sup>2</sup> Thresholds currently applicable are:

- a. For public supply and public service contracts 209,000 Euros (£164,176)
- b. For public works contracts 5,225,000 Euros (£4,104,394)

## **12. PAYMENTS FOR BUILDING OR CONSTRUCTION WORKS**

- 12.1. Payments on account of the contract sum shall be made within the time specified in the contract by the Town Clerk upon authorised certificates of the architect or other consultants engaged to supervise the contract (subject to any percentage withholding as may be agreed in the particular contract).
- 12.2. Where contracts provide for payment by instalments the Town Clerk shall maintain a record of all such payments. In any case where it is estimated that the total cost of work carried out under a contract, excluding agreed variations, will exceed the contract sum of 5% or more a report shall be submitted to the Council.
- 12.3. Any variation to a contract or addition to or omission from a contract must be approved in writing by the Town Clerk to the contractor, the Council being informed where the final cost is likely to exceed the financial provision.

## **13. STORES AND EQUIPMENT**

- 13.1. The employee as authorised by the Town Clerk, in charge of each section shall be responsible for the care and custody of stores and equipment in that section.
- 13.2. Delivery Notes shall be obtained in respect of all goods received into store or otherwise delivered and goods must be checked as to order and quality at the time delivery is made.
- 13.3. Stocks shall be kept at the minimum levels consistent with operational requirements.
- 13.4. The Town Clerk shall be responsible for periodic checks of stocks and stores at least annually.

## **14. ASSETS, PROPERTIES AND ESTATES**

- 14.1. The Town Clerk shall make appropriate arrangements for the custody of all title deeds and Land Registry Certificates of properties held by the Council and shall ensure a record is maintained of all properties held by the Council, recording the location, extent, plan, reference, purchase details, nature of the interest, tenancies granted, rents payable and purpose for which held in accordance with Accounts and Audit Regulations.
- 14.2. No interests in land shall be purchased, sold, leased or otherwise disposed of without the authority of the Council, together with any other consents required by law. In each case a report shall be provided to the Council in respect of valuation and surveyed condition of the property.
- 14.3. An accurate Register of Assets and Investments shall be kept up to date. The continued existence of assets shown in the Register shall be verified annually, in conjunction with a health and safety inspection of assets.

## **15. INSURANCE**

- 15.1. Staff shall give prompt notification to the Town Clerk of all new risks, properties or vehicles which require to be insured and of any alterations affecting existing insurances.
- 15.2. A record of all insurances held by the Council and the property and risks covered will be retained and reviewed annually.
- 15.3. Any loss liability or damage or of any event likely to lead to a claim shall be reported to the Policy & Resources Committee at the next available meeting.
- 15.4. All appropriate Members and employees of the Council shall be included in a suitable form of security or fidelity guarantee insurance which shall cover the maximum risk exposure as determined by the Council, or duly delegated committee.

## **16. RISK MANAGEMENT**

- 16.1. The Council is responsible for putting in place arrangements for the management of risk. The Town Clerk shall prepare, for approval by the Council, risk management policy statements in respect of all activities of the Council. Risk policy statements and consequential risk management arrangements shall be reviewed by the Policy & Resources Committee annually.
- 16.2. When considering any new activity, the Town Clerk shall prepare a draft risk assessment including risk management proposals for consideration and adoption by the Council.

## **17. SUSPENSION AND REVISION OF FINANCIAL REGULATIONS**

- 17.1. It shall be the duty of the Policy & Resources Committee to review the Financial Regulations of the Council at least annually. The Town Clerk shall make arrangements to monitor changes in legislation or proper practices and shall advise of any requirement for a consequential amendment to these Financial Regulations.
- 17.2. If duly notified prior to a relevant meeting, the Council may by a resolution, suspend any part of these Financial Regulations provided that reasons for the suspension are recorded and that an assessment of the risks arising has been drawn up and presented in advance to all Members of Council.